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WORLD AGRICULTURAL Situation



THE WORLD AGRICULTURAL SITUATION

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The *World Agricultural Situation* is published in June, September, and December. Agricultural situation reports for the world's major regions are published during March-May.

SUMMARY

World agricultural production (excluding communist Asia) made a modest increase in 1975 but rose a little less rapidly than the 2-percent average annual growth in world population. Indications also point to a good agricultural year for the People's Republic of China.

Total agricultural output fell at least 1 percent in the developed countries. The substantial recovery of U.S. and Canadian production was not enough to offset a sharp drop in the Soviet Union and more modest setbacks in Western and Eastern Europe.

The developing countries achieved a sharp 5-percent increase in total agricultural production in 1975. More important, the index of per capita output climbed to a new high of 104 after three years in a row when per capita output held at a level equal to the 1961-65 average of 100.

Among the developing countries, those in Asia showed the strongest increases in total agricultural production. The sharp increases in agricultural production in South Asia were especially welcome because of the poor crops last year in India and Bangladesh. Gains were much more modest in Latin America. Africa's agricultural output increased much slower than its population.

The bulk of the 1975/76 grain harvest is now in. Grain production is substantially below spring and summer estimates because of weather, and is less than 1 percent above 1974/75. Production increases in the United States, in the People's Republic of China, and in nearly all the developing countries overcame declines in the Soviet Union and Western and Eastern Europe. Larger coarse grain and rice crops together helped offset the decline in wheat output.

The continued growth in grain consumption will probably require a further small drawdown in world grain stocks, so that ending 1975/76 stocks will probably remain at minimum working levels. Stocks—particularly for coarse grains and rice—are likely to become more concentrated in the United States. Stocks have grown in the United States while declining elsewhere.

Note: Unless stated otherwise, split years (e.g., 1974/75) mean July/June. Fiscal 1975 means July 1974/June 1975. Tons are metric and dollars are U.S. unless otherwise specified.

Oilseeds continue in plentiful supply relative to demand primarily because of the large increase in the 1975 U.S. and Brazilian soybean crops. Thus, oilmeal and vegetable oil production will be up strongly in 1976. Meal consumption will probably not increase as rapidly, so that a further buildup in oilseed stocks through 1975/76 seems in prospect.

Meat production is soaring in the major meat exporting countries of the southern hemisphere because of the pressure of large herds, but producers there face considerable uncertainty because the major consuming countries are expected to hold imports to the depressed 1974 level. Feed shortages have led to some distress slaughter of hogs and poultry in the Soviet Union.

Dairy production is estimated to be little changed over 1974. The buildup of surplus nonfat dry milk stocks continues to be a problem, particularly in the European Community.

Sugar production should be up substantially in 1975/76, according to preliminary estimates, and consumption is showing signs of recovery thanks to recent lower prices. Nevertheless, because of low beginning stocks, the stability of the world sugar market will very much depend upon the success of the harvest in the second half of the season.

World cotton consumption is expected to make a moderate resurgence in 1975/76 if economic activity picks up in major textile producing countries. Cotton plantings were cut back in the past year because of large stocks which depressed prices. Plantings could increase again if consumption rises enough to work down stocks.

The world fertilizer situation turned around in 1975. Fertilizer supplies increased an estimated 9 percent in 1974/75, but consumption grew somewhat less than 4 percent because of farmer resistance to earlier high fertilizer prices, foreign exchange limitations in many developing countries, and lower agricultural commodity prices. The resulting buildup of inventories has contributed to a rapid fall in fertilizer prices, in some cases to roughly one-third of their previous level.

World tobacco production grew a little more slowly in 1975 than 1974, but the annual rate of increase was still double the annual rate over the last 15 years. Consumption increased less rapidly, so stocks have increased.

International agricultural prices have not established a clear trend since falling from earlier highs thanks to more ample world 1975/76 crops. Part of the lack of direction results from uncertainty about how fast the depressed world economy will recover in 1976. The most promising signs of growth have been in the United States and Japan; the other industrialized economies show a more sluggish response.

U.S. agricultural exports are off to a good start in fiscal 1976, and could total almost \$23 billion for the year. The value of those exports in July-September was 6 percent above the year-earlier period thanks largely to the increased volume of wheat, soybean, cotton, and feedgrain sales which more than offset smaller shipments of rice, tobacco and oilmeal and lower export unit values for farm product.

WORLD WEATHER¹

Drought conditions were eased in many parts of the world during the past few months. Central America and the northern Caribbean received needed rainfall, severe drought in Australia was eased, and dry conditions in much of West and East Europe were alleviated. The USSR continues to be plagued by dryness and low soil moisture.

North America

Wet weather in August and early September 1975 slowed farm activities, yet benefited critically dry areas and improved conditions for fall planting and permanent crops in the U.S. and Canada. Early frost in some places caused only minor lo-

sses. From mid-September through October, sunny and mild weather in most of North America provided mostly favorable harvest conditions for many crops. In October there were fewer drought areas than usual, and frost damage was low in contrast to heavy damage a year ago. In November, much of North America experienced unseasonable cold and widespread snowfall, including significant amounts in the western winter wheat area. Dry conditions in the South favored harvests delayed earlier by wet weather.

Drought in Central America—in some places the worst in decades—eased somewhat in September. Hurricanes brought heavy rains and destruction to west-central Mexico, yet relieved dry conditions in the northern Caribbean. Drought in the southern Caribbean eased a bit.

South America

While southern Brazil received above normal rainfall in September 1975, drought conditions of August and early September continued in parts of

¹A summary of significant conditions that have been reported since the publication of WAS-8, World Agricultural Situation, October 1975. Detailed information on world weather appears in the third or fourth week of each month in the Weekly Weather and Crop Bulletin published jointly by the U.S. Departments of Agriculture and Commerce.

Argentina and throughout central Brazil through September and October. Cold dry winter took its toll with grass fires, lower crop prospects, and delayed "spring" planting. November rains benefited major agricultural areas of Brazil, where moisture was needed for "spring" planting and to relieve stressed citrus. There was also good November rainfall in much of Argentina, yet there are important patchy dry spots.

Western Europe

Western Europe's summer-long drought, which depleted soil moisture and caused stress to crops, was eased by generally above-normal rainfall during September and, to some extent October 1975. The rain was interspersed with drier periods that favored harvesting and fall soil preparation. Precipitation at the end of October, however, slowed field activity. Weather in November has been suitable for crops and farm activities, and brought much needed rains to Spain.

Eastern Europe

Rainfall in early September 1975 eased prevailing drought conditions in East Germany and Poland. Weather conditions were mild from September through October. Generally dry October weather benefitted harvest and field preparations, yet the dry conditions caused further stress to pastures and late-maturing crops, particularly in parts of East Germany and Poland. In the first part of November, East European soil moisture was greatly improved, especially in Bulgaria and some parts of Poland. The month ended with heavy snow cover throughout the Danube Basin.

USSR

Low soil moisture supplies in the USSR resulting from drought in 1975 have not been relieved significantly in recent months. Soil moisture had continued to decrease through September but then experienced scattered improvement in October. The Asiatic USSR (from the Ural Mountains eastward) had a more uniform and pronounced recovery than the European USSR, the major winter grain area. The European USSR received sporadic precipitation—above normal during August in the northern part and during early September and early October in the southern part, but very little in late September and late October. The Asiatic USSR received near normal to well above normal rainfall during September and October. Average temperatures were above normal in September and

below normal during much of October and considerably below normal in early November over most of the Soviet agricultural areas.

Asia-Oceania

Summer monsoon rains in India, Bangladesh, and Pakistan ended in early October 1975 after a continued favorable performance. Above normal rainfall improved prospects for fall-seeded crops, but caused some losses from flooding in eastern India, Bangladesh, Thailand and parts of southeast Asia. Rainfall in early October was infrequent, but a tropical storm brought unseasonably heavy rains to Pakistan and adjacent regions of India later in the month. Favorable November weather in India got fall-seeded crops off to a good start.

Weather in the People's Republic of China during August and September was characterized by below normal precipitation in Northeast China and alternating periods of dryness and varying amounts of rainfall—from generally below normal in Central and East China to above normal in South and Southeast China. An unusual weather system brought heavy but brief rain to areas in Central and East China in late July and early August causing some flooding and local crop damage. Except for Northeast China and small areas in South-Central China, precipitation in October was generally above normal, especially in large areas of the North China Plain. Also during October, but not associated with the general weather pattern, the south China coast was struck with two massive typhoons within a week. The heavy precipitation from these typhoons, although local, caused damage to the late rice crop.

Timely and abundant rainfall during September and October 1975 in Australia, where a severe drought had persisted, benefited winter cereals and laid the groundwork for a good start on 'summer' crops, but at the same time lowered sugar content in cane and made harvest difficult. Drier weather in November, however, improved sugarcane harvest conditions.

Africa

September rainfall in the Sahel region and Algeria was good. During October an abnormally long rainy season in West Africa favored crops replanted after early losses due to insects. In November important rains fell in North Africa, including the winter wheat areas of Morocco, Algeria, and Tunisia. Heavy late November rains ended a dry spell in South Africa. (*Kathryn Kayser*)

1975 World Agricultural Production

World agricultural production (excluding communist Asia) registered a modest increase in 1975, but rose a little slower than the 2-percent average annual increase in world population (table 1). The index of per capita world agricultural output fell 1 point, therefore, from 105 (1961-65 average=100), remaining 3 index points below the previous highs of 1971 and 1973. The People's Republic of China, which is excluded from the index because of the difficulty of obtaining adequate data, also appears to have had a good agricultural year.

Total agricultural output fell at least 1 percent, however, in the developed countries. The substantial recovery of U.S. and Canadian production, up 7 and 11 percent, respectively, from 1974, was insufficient to offset a sharp drop in Soviet output (down 10 percent) and more modest setbacks in Western Europe (down 2 percent) and Eastern Europe (down about 1 percent).

The developing countries achieved a sharp increase in total agricultural production in 1975. More important, the 5-percent rate of increase in total output was substantially greater than the rate of population growth of about 2.5 percent each year in the developing countries. The index of per capita production reached a new high of 104, a little above the level achieved in 1970 and 1971. While a welcome development following three years in a row during which the index hovered around 100 (the same as the 1961-65 average), per capita output is still below the trend established over the past 2 decades.

Among the developing countries, those in Asia showed the sharpest gains in total agricultural production. The strongest increases were in South Asia where agricultural output climbed 11 percent thanks to a 13-percent increase in Indian production, and an 8-percent increase by Bangladesh. The gains by these two countries were particularly welcome since their poor crops in 1974 were the source of much world concern about potential mass starvation. Both countries will have to work hard next year to hold on to the gains achieved, since the monsoon rains were unusually favorable this year—particularly in India—on the Indian subcontinent. India's per capita output was up 10 index points to 105, approaching the levels of the early 1970's, but a 5-index-point gain by Bangladesh still left that country 12 percent below the 1961-65 average. Pakistan and Sri Lanka both registered declines in both total and per capita agricultural production.

Agricultural performance was generally dull in Latin America in 1975, with total output up somewhat less than 2 percent. Per capita production,

therefore, declined a little. Neither individual country declines nor gains were dramatic.

In Africa (excluding the Republic of South Africa), total agricultural production increased close to 1 percent, and per capita output fell 2 index points to 92. Civil disturbances contributed to sharp declines in agricultural production in Angola and Ethiopia.

United States²

The total output of all crops in 1975 will be up around 11 percent from 1974 to a record high. Among the major field crops, only cotton is running below year-ago levels. The fall harvest has progressed rapidly, with only cotton picking lagging.

Wheat Seeding Up

With a record wheat crop in of 2,138 million bushels, 19 percent above the previous peak set only last year, attention is turning to the planting of the winter wheat crop. Farmers were observing a strong wheat market when making planting decisions during the August-October period. Producers were generally faced with a much improved supply situation for fertilizer and pesticides. Seedings have now been generally completed.

Spring wheat producers have a number of months to study the market before making final planting decisions on the basis of price outlook and weather. Although the outlook is uncertain at this time, it would seem unlikely that spring wheat planting would vary much from 1975. Thus, planted area for all wheat to be harvested in 1976 should total quite near this year's 74.4 million acres.

Rice Stocks Growing

As of November 1, this year's rice crop was estimated at a record 124 million hundred weight, 9 percent larger than 1974's previous high. The 1975 world rice crop is substantially larger than in 1974, and U.S. exporters are already facing keener competition from other countries. Carryover stocks at the end of 1975/76 are likely to at least double 7 million hundred-weight at the beginning of the season.

²This section is based on the more detailed treatment of the U.S. agricultural situation contained in the U.S. Department of Agriculture's monthly publication, *The Agricultural Outlook*, (AO-6), November 1975.

Table 1.-Indices of agricultural production in the world and major regions and countries, 1965-74

(1961-65 = 100)

	: 1966	: 1967	: 1968	: 1969	: 1970	: 1971	: 1972	: 1973	: 1974	: Preliminary : 1975
World agricultural production 1/	: 108	: 112	: 116	: 117	: 120	: 124	: 123	: 129	: 129	: 131
Developed countries 2/	: 110	: 113	: 117	: 116	: 118	: 123	: 122	: 130	: 128	: 126
Less developed countries 3/	: 105	: 110	: 114	: 119	: 123	: 126	: 125	: 129	: 132	: 140
Per capita world agricultural production 1/	: 102	: 104	: 106	: 104	: 105	: 107	: 104	: 107	: 105	: 104
Developed countries 2/	: 106	: 108	: 111	: 109	: 110	: 114	: 112	: 118	: 115	: 113
Less developed countries 3/	: 97	: 100	: 101	: 102	: 103	: 103	: 100	: 100	: 100	: 104
Regional agricultural production										
United States	: 102	: 107	: 109	: 110	: 109	: 118	: 118	: 120	: 114	: 122
Canada	: 126	: 108	: 117	: 122	: 112	: 129	: 120	: 123	: 112	: 124
Latin America	: 108	: 112	: 113	: 118	: 121	: 125	: 126	: 128	: 137	: 139
Western Europe	: 104	: 112	: 114	: 112	: 113	: 120	: 119	: 121	: 126	: 123
European Community	: 104	: 112	: 114	: 112	: 111	: 119	: 118	: 121	: 124	: 120
European Free Trade Assoc.	: 99	: 107	: 111	: 107	: 111	: 113	: 111	: 112	: 122	: 117
Other Western Europe	: 109	: 115	: 120	: 118	: 123	: 136	: 132	: 133	: 142	: 152
Eastern Europe	: 115	: 118	: 120	: 119	: 116	: 122	: 132	: 135	: 139	: 138
USSR	: 122	: 120	: 129	: 123	: 136	: 135	: 129	: 155	: 145	: 130
Japan	: 106	: 115	: 119	: 115	: 109	: 102	: 110	: 110	: 110	: 113
South Asia	: 97	: 106	: 113	: 119	: 126	: 126	: 119	: 129	: 123	: 137
India	: 95	: 104	: 111	: 117	: 124	: 127	: 119	: 128	: 121	: 137
West Asia	: 111	: 119	: 124	: 120	: 122	: 129	: 139	: 126	: 136	: 143
East Asia (excluding Japan)	: 114	: 112	: 117	: 123	: 130	: 133	: 131	: 144	: 148	: 158
Africa (excluding Rep. South Africa)	: 104	: 106	: 110	: 117	: 117	: 120	: 123	: 118	: 124	: 125
Republic of South Africa	: 104	: 131	: 113	: 118	: 122	: 135	: 142	: 118	: 150	: 140
Oceania	: 114	: 107	: 124	: 121	: 119	: 123	: 115	: 117	: 119	: 121

1/ Excludes Communist Asia.

2/ North America, Europe, USSR, Japan, Republic of South Africa, Australia, and New Zealand.

3/ Latin America, Asia (except Japan and Communist Asia), and Africa (except Republic of South Africa).

Source: Economic Research Service, Foreign Demand and Competition Division

Large Soybean and Corn Crops

Soybean production is now estimated at 1.5 billion bushels, almost a fourth above last year and just short of 1973's record output. As a consequence of this and large carryin stocks, 1975/76 soybean supplies will be 1.7 billion bushels, almost a fifth above last year and slightly above the previous high set in 1973/74. With soybean prices received by farmers in 1975/76 likely averaging well below those for the 1974 crop, utilization may increase moderately, but carryover stocks are likely to increase sharply by the end of 1975/76. U.S. soybean and soybean meal and oil exports will face increased competition abroad in the coming year.

This year's corn crop should reach a new high of 5.8 billion bushels based on November 1 conditions, up a fourth from last year. That and sharply larger sorghums, oats, and barley crops should contribute to a 24-percent increase in feed grain production. Lower feed grain prices will result in increased domestic feeding in 1975/76, but will still be below levels of other recent years. Feedgrain exports are projected at a record 48 to 52 million short tons, but carryover stocks are still expected to be somewhat larger at the end of the year.

Better Feeding Prospects

After being squeezed for the past 2 years, margins for feeding livestock and poultry improved significantly this summer with the sharp rise in prices of livestock and livestock products. Although hog, steer, and broiler prices have dropped some recently, they continue well above year-earlier levels. Milk prices have shown strong seasonal gains this fall and egg prices have also been rising.

With the accompanying drop in grain prices, feeding margins continue at favorable levels and livestock and broiler producers have begun to expand output. Broiler producers have stepped up chick placements, more cattle are moving into feedlots, and hog producers are planning to expand farrowings this winter. Dairy farmers have increased concentrate feeding and October milk production rose above a year ago for the first time since early this year. Egg production may also be up this fall.

The pace of recovery in livestock production will depend heavily on the supply and cost of feed as related to developments in foreign markets. Larger feed supplies and easier prices give added impetus to the turnaround in livestock production, especially pork. Consequently, supplies of livestock products, even though improving, will remain relatively tight early next year.

Better Farm Income Prospects

Realized gross farm income in 1975 may be up slightly from 1974, but rising production costs will result in a decline of one tenth in realized net farm

income, although the total would still be the third largest on record.

The price and income situation for agriculture has improved in the last half of this year, and that development is expected to extend well into 1976. In the first half of next year, cash receipts should continue well above a year ago due mainly to strong livestock prices, while production costs may rise more slowly. Consequently, realized net farm income for the first 6 months is likely to nearly match recently improved rates and to be well above year-earlier levels.

Slower Rise in Food Prices

Bumper crops and the beginning of an upturn in livestock production will continue to slow the rise in retail food prices. For all of 1975, food prices will average close to 9 percent above 1974, compared with annual increased of about 14.5 percent in the previous 2 years. Food prices are likely to rise at an annual rate of 4 to 5 percent during the first half of 1976, or an average rate of a little over 1 percent a quarter.

Other Developed Countries

Crop Prospects Mixed

Canadian grain production is substantially larger than last year's reduced crop. Wheat production, estimated at 17 million tons, is up 28 percent from 1974 and the largest harvest since 1969. Coarse grain production may be up 10 percent or more from last year, but is still below harvests for the 1970-1973 period. The Canadian corn crop is the best ever; yields should be a record high, with low moisture content contributing to the excellent grain quality. Some corn may be exported this year, perhaps to the Soviet Union. Flaxseed, rapeseed, and soybeans are all expected to be above last year's crop. Potato and dry bean production, however, is estimated to be sharply below 1974's level.

Australia's wheat harvest is in progress and preliminary estimates place output at 11.3 million tons, slightly above last year's. The two major wheat producing areas—New South Wales and Western Australia—are expected to produce about equal tonnages in 1975/76 and jointly account for over two-thirds of total production. Barley output may fall below last year's 2.6 million ton crop with large acreage declines in the major production area of South Australia being only partly offset by increases in New South Wales and Queensland. The oat area has declined while corn production may have increased in 1975/76. Grain sorghum area has also expanded—despite the increased area devoted to wheat and barley in some areas.

Rice growing conditions in *Japan* have been excellent this year, resulting in an estimated crop outturn of 16.2 million tons (rough basis). Expanded area and higher yields both contributed to the approximately 800,000 ton increase over 1974.

Consumption of rice may lag production by as much as 600,000 tons this marketing year (November 1975 to October 1976). Although Japan has already indicated that none of the rice will be exported on a commercial basis, some of the surplus may be exported as food aid.

The latest crop reports from *Western Europe* confirm earlier expectations of a substantial drop in this year's grain production. Coarse grain output—at nearly 82 million metric tons—is about 2 million less than in 1974/75. Wheat production declined even more—or by 7.5 million tons, to a level of 49 million tons. Wheat is down in both EC and non-EC countries, but coarse grain is up 4 percent in non-EC countries, largely because of an exceptionally good barley harvest in Spain. However, record-high carryover stocks, primarily wheat, should largely cushion the impact of the production shortfall in the EC.

The EC as a whole should continue as a relatively small net exporter, of wheat (taking all types of wheat together), a position first achieved in 1974/75. Durum and hard wheat make up most of the imports, with soft wheat accounting for virtually all of the exports. Essentially the EC has a continuing surplus of soft wheat, which often has to be disposed of with the help of denaturing and export subsidies, but no denaturing subsidies are now in effect. Combined imports of all types of wheat by non-EC countries should about equal exports, while last year's exports exceeded imports by nearly 200,000 tons.

The volume of EC trade in coarse grains with the rest of the world should not be significantly different from that of 1974/75. With total coarse grain consumption expected to increase by 900,000 tons—to 74.6 million tons—net imports of feed grains should account for nearly 18 percent of the EC total anticipated consumption, compared with about 18.5 percent in 1974/75, and an average of 18.2 percent in the previous 5 years. This year's production, consumption, and trade levels in the EC imply a stock drawdown of about 2 million tons and a return by yearend to a more normal stock level of about 6.6 million tons of coarse grains.

In the non-EC countries of Western Europe, the increased production of coarse grains is expected to be accompanied by a relatively small increase in consumption. The share of net imports in total consumption should be less than 23 percent, compared with 27 percent in 1974/75 and an average of nearly 22 percent in the previous 5 years.

Concerning other crops, West European sugarbeet production has recovered from the low level of

last year and should exceed 83.5 million tons in 1975. One of the largest increases in production occurred in West Germany.

Total potato output is down because of large drops in virtually all the major producing countries. Olive oil production is likely to increase more than 20 percent.

The EC continues to be burdened by vast surpluses of wine and olive oil. Disposal of surplus quantities of wine has caused trade disputes between Italy and France, which have put severe strains on the operation of the EC's Common Agricultural Policy (CAP). Surpluses of olive oil are partly responsible for the apparent deadlock in the negotiations for a new trade agreement between the EC and the Maghreb countries.

Livestock Situation Still in Surplus

On July 1, 1975 cattle and calf numbers in *Canada* were 2 percent higher than a year earlier. Percentage increases were about equal for both dairy and beef herds. However, a 10-percent decline as of July 1 in the number of beef heifers for breeding—in combination with continuing substantial cow slaughter—may lead to stabilization of the beef herd in late 1976. As in the United States, hog numbers were down significantly (18 percent below July 1 a year earlier).

New Canadian health restrictions (effective October 27, 1975) on imports of some types of live cattle from the United States will impede U.S. exports to Canada.

Cattle numbers in *Australia* have continued to rise in spite of increased slaughter. Prices are still quite depressed and many producers are in a severe financial plight. Larger quantities of beef are being shipped to Far East countries and to West European countries outside the European Community as a result of the small import quotas set by Japan and the EC. On October 8, the Australian Meat Board notified exporters that until further notice no more approvals would be granted for meat shipments to the United States in 1975. At that time, approvals for beef and veal shipments to the U.S. had reached 290,000 tons—the maximum tonnage Australia had agreed to ship to the U.S. in 1975.

The European Community is continuing to produce major commodities such as beef and milk in excess of effective demand. EC beef production for 1975 is estimated at about 6.4 million tons, or about 3 percent above 1974. As of early October, intervention (support) stocks of beef mounted to more than 254,000 metric tons, a third of which originated in Ireland. In 1976 beef production might increase by 1 or 2 percent. However, large-scale slaughter of breeding stock has occurred in recent months; this and the anticipated improvement of

economic conditions could lead to a tight supply situation in the EC by the end of 1976.

Milk production according to early estimates, is expected to show a small increase in non-EC countries (to 20.9 million tons in 1975) and a decline of 700,000 tons to (96.6 million tons) in the EC countries. However, EC stocks of nonfat dry milk have continued to mount, reaching more than 1 million tons on early October. A number of proposals have been made to help dispose of this surplus by encouraging its greater use in animal feeding.

Production and consumption of butter are expected to decline through the early months of 1976. No major changes are occurring in the level of the EC intervention stocks of butter.

Policy Changes Under Consideration

Canada's Consumer Packaging and Labeling Act of 1972 requires all nonfood consumer packaged items to be labeled in French and English (effective September 1975), while consumer food items must be so labeled by March 1, 1976. The regulation may be extended to the wholesale trade, but the extent of its application in that area is presently under review by the Canadian Government.

Japan has under consideration a new stockpiling policy and import tax on soybeans and feed grains to be effective October 1, 1976, if approved by the legislature. The proposed tax rate on soybeans is 2,350 yen per ton; at the current exchange rate, this amounts to \$7.80 per ton or 21 cents per bushel. The tax is 600 yen per ton (\$2.00 per ton or 5 cents per bushel of corn or sorghum) for feed grains. In 1974 dollars and prices, these taxes are 3 percent and 1 percent of the c.i.f. import price of soybeans and corn, respectively.

The revenue from the new tax will be used to finance an increase of 300,000 tons in soybean stocks and 950,000 tons in feed grain stocks. The stock buildup will take place gradually between October 1976 and 1980. The acquisition of land and construction of storage facilities for the increase in stocks are estimated by the Japanese to cost \$1 billion, with an additional \$30 million per year required to maintain the stocks. The revenue from the taxes is estimated to be \$30 million per year.

Some members of the European Community, most notably West Germany, have repeatedly expressed dissatisfaction with the high cost of the Common Agricultural Policy (CAP) in general and with the cost of subsidizing surplus production in particular. Partly to alleviate these problems and to prevent structural surpluses as well as short-term imbalances, the EC has undertaken a comprehensive review of its CAP, through the so-called 'stocktaking' process. Various EC institutions and organizations, including representatives of consumer interests, are currently involved in dis-

cussions on the stocktaking exercise, and certain revisions of the CAP. These discussions could lead to some changes in the policies for the grain, dairy, and beef sectors, as well as for wine.

Changes in the EC's grain sector might take the form of adjustments in the grain price ratios. The EC has announced that the price of high-yielding varieties of feed wheat will probably be geared to the price of other feed grains, but no decision has yet been announced on whether the current gap between the price of bread wheat and the price of feed grain will be narrowed. In the beef sector, some observers believe that the present system of intervention might eventually be replaced by one based on seasonal intervention, supplemented by private storage payments and producer subsidies, in order to avoid fluctuations in levels of production.

Acceptance of the principle that dairy farmers should bear part of the cost of operating support programs appears to have become more widespread in the EC in recent months. However, there is still considerable disagreement on ways to implement this principle, and on the size of the producers' contribution.

Limits on wine production may be imposed, even though limitations on production run against the basic principles of the CAP. (*Reed E. Friend and Omero Sabatini*)

USSR

Effects of drought this year on Soviet agriculture continue to be reflected in reduced output of most crops and unusually high slaughter of livestock.

The USDA forecast of total grain production in the USSR was lowered on October 24 to 160 million metric tons—about 55 million tons less than the 1975 goal and 35 million below the 1974 crop. The 1975 wheat harvest is estimated at 75 million tons, the smallest in the past 10 years. Coarse grain production, at 73 million tons, will fall almost 25 million below the 1973 and 1974 crops, but will about equal the average harvests in 1970-72.

Total grain imports in 1975/76 are forecast at about 27 million tons. As of mid-November, Soviet purchases of about 19 million tons of grain had been formally announced, including about 13 million from the United States. Rumors of additional purchases of about 5 million tons, primarily of non-U.S. origin, were also reported by trade sources.

Nevertheless, a harvest of 160 million tons of grain even with expected imports will still necessitate a significant downward adjustment in total grain usage within the USSR in 1975/76. Some drawdown in carryover stocks is expected. Feed use

of grain likely will be at least 5 million tons, less than the estimated amount utilized in 1974/75.

The adverse effects of drought on Soviet livestock became more critical during August-October. As a result of serious shortages in feed and grain supplies and attempts to conserve those supplies, distress slaughter of hogs and poultry rose sharply in August and continued high in September, but began to drop off somewhat in October. As of November 1, hog and poultry numbers on state and collective farms were down by 17 and 11 percent, respectively, from a year earlier. Total cattle numbers, on the other hand, showed a 3-percent gain, while sheep and goat numbers fell slightly below the year-earlier level. Reductions in hog and poultry numbers in October, compared with a year earlier, continued to show the higher rates of slaughter. Hog numbers dropped a sharp 3.2 million head, compared with 0.7 million a year earlier. Poultry fell 42 million, compared with 34 million in September 1974. Cattle, sheep, and goat slaughter rates were about the same as those a year earlier. End-of-year inventories of hogs and poultry will be down considerably. The Soviets currently appear to be attempting to maintain cattle herds—at least until the end-of-year livestock count.

Production of livestock products on collective and state farms during January-October continued ahead of the same period in 1974. The sharpest increases were in pork and poultry meat output which, largely because of heavy slaughter during August-October, rose 15 and 17 percent, respectively, above a year earlier. The gains over

1974 in pork, are expected to be reduced during the latter months of 1975, however, because of the large-scale slaughter of lighter weight animals. Beef and mutton increased only about 1 percent, possibly indicating that lighter weight animals were being slaughtered, but also reflecting apparent decisions to maintain herds. Total meat output in 1975 is forecast at 15.3 million tons (carcass weight), 700,000 tons above 1974 output. Pork and poultry meat are expected to increase significantly, while output of beef and mutton will probably remain at about the same levels as last year. Based on the relatively poor output of grains and roughages this year and the probable fall off of meat production in 1976, it is likely that Soviet imports of meat and meat products and live animals for slaughter will again reach higher-than-usual levels next year.

Egg production during January-October was 8 percent above a year earlier. Total egg production is forecast at 57 billion eggs, 2 billion more than in 1974. Milk production during January-October, however, was about equal to that for the 10-month period last year. Total milk production is expected to be below plan and probably will not exceed significantly—if at all—last year's output of 91.8 million tons.

Soviet forage crop production continued to lag far behind output levels a year earlier, except for alfalfa-clover meal which was up a third. Based on latest harvest and production progress reports, hay, haylage, silage, root crops, and other coarse roughages (largely straw) are down 10 to 20 percent.

Revised Soviet Grain Estimate

A statement by G. I. Vashchenko, Chairman of the Planning-Budget Commission, during the early December meeting of the USSR Supreme Soviet implies a production estimate of 137 million tons for the 1975 USSR grain crop. The previous USDA estimate was 160 million. Based on this announcement, grain output apparently included only about 65 million tons of wheat, 62 million of coarse grains, and 10 million of minor grains and pulses. It has previously been forecasted that Soviet grain imports during 1975/76 will reach about 27 million tons or more than 30 million tons over the 15 month period extending through September 1976.

Owing to constraints on Soviet grain-handling capacity, the apparent additional shortfall may not lead to substantially greater imports. Further reductions in livestock are likely, however, as grain available for feeding may be reduced by 20 to 25 percent from 1974/75. Hog numbers on January 1, 1976, could be down about 20 percent, and some reductions in cattle could occur.

Meat production in 1976 is likely to be down sharply and increased meat imports are likely.

This information was received too late in the publishing process to revise the analysis contained in this section.

The 1975 Soviet cotton crop is expected to be a good one, but earlier prospects of a crop equal to or larger than last year's record output of 8.4 million tons now appear less certain. Freezing weather during mid-October and again in early November over most of the major cotton-growing area of Soviet Central Asia stopped growth 10 to 15 days earlier than usual, but 80 to 95 percent of the bolls had already opened. As of early November, cotton procurement was lagging behind last year by over 400,000 tons. This would suggest a 1975 cotton crop closer to the pledged amount of 8.1 million tons (unginned) rather than the 8.4 million tons last year. However, several weeks still remain for completion of the cotton harvest and it is possible that the current lag in cotton production will be made up.

A Soviet sunflowerseed crop of about 5 million tons now seems likely. A 5-million-ton harvest would be a third below the 7.4 million tons planned, and off nearly a quarter from last year's 6.8-million-ton output. Unfavorable weather apparently caused considerable abandonment of seeded areas or diversion to silage, and has continued to plague the crop by causing slowdowns in harvesting operations. The area planted to sunflowers was slightly larger than in 1974, but the area harvested for seed in 1975 is estimated to be significantly lower than actually planted.

Prospects for lower supplies of sunflowerseeds available for crushing this year should be offset to some extent by prospective increases in domestic soybean production, another good cottonseed output, and probable imports of 1.5 million tons of soybeans. Vegetable oil output in 1975/76 is forecast at less than 3 million tons, down 10 to 15 percent from last year. Vegetable oil exports in 1976 likely will fall well below the apparently reduced level of 1975 and the 512,000-ton level of 1974.

A sugarbeet crop of about 80 million tons currently seems likely. This would be below trend, due to unfavorable weather conditions in many regions, and would roughly equal last year's mediocre crop. The planned goal for this year was 94 million tons. The area harvested in 1975 is estimated at 3.6 to 3.7 million hectares. During January-September 1975, 1.7 million tons of refined sugar were processed from domestic beets, including 1.2 million tons from the new 1975 crop. Total beet sugar production for calendar year 1975 may reach only 7.5 million tons (refined basis), somewhat below output in 1974. Calendar year 1975 imports of cane sugar are estimated at about 3 million tons (refined basis), a million tons higher than in 1974.

Limited soil moisture supplies posed a problem for fall seeding this year in the major winter grain areas of European USSR. Timely rains during August in the northern part of European USSR, and during early September in the southern part, per-

mitted fall seeding to be carried out about on schedule. Half of the planned 35-million-hectare winter grain area was seeded by about September 5 and the remaining half completed by October 27. Observations by U.S. Embassy travelers and the lack of Soviet reports on crop conditions in large parts of the winter grain areas suggest that, because of limited moisture, these grains went into winter dormancy in rather poor condition, thus making them more susceptible to damage from severe winter weather. (*Angel O. Byrne*)

EASTERN EUROPE³

U.S. Grain Meets Shortfalls

East European gross agricultural production declined in 1975 by about 1 percent, according to preliminary estimates. The declines in individual countries ranged between 1 percent for Hungary and Yugoslavia to 7 percent for Czechoslovakia. The regional decline would have been more pronounced had not Bulgaria registered an increase in production, which reflected recovery from 1974 drought effects.

U.S. agricultural exports to Eastern Europe will be about \$1.1 billion in fiscal 1976—double that in fiscal 1975. Grain will account for all of the increase. U.S. grain exports (including shipments) to the area are expected to reach 7.5 million tons (5 million tons of feedgrains and 2.5 million tons of wheat), compared with 2.1 million in fiscal 1975. Poland, the German Democratic Republic (GDR), and Romania are the principal importers. As of November, these three countries had contracted for 5 million tons of grain for delivery during fiscal 1976.

The unusual demand for U.S. grain is caused by regional shortfalls of 4.5 to 5 million tons of wheat and 1 to 1.5 million tons of rye, compared with record crops in 1974. An expected increase of 2 to 2.5 million tons in corn production will partially offset the loss of small grain output in Hungary and Yugoslavia. Hungary will export in excess of 1 million tons of corn, Yugoslavia about 300,000 tons, and Bulgaria a few hundred thousand tons in fiscal 1976.

Besides the production shortfall in East Europe, the shortfall in grain production in the USSR—a usual supplier of about 4 million tons of grain to the region—forced Poland and the GDR to turn to the United States for additional shipments.

Poland is interested in reaching a long-term agreement on grain imports from the United States. Poland wishes to purchase 2.5 million tons of grain annually, between 1976 and 1980. The de-

³Bulgaria, Czechoslovakia, German Democratic Republic (GDR), Hungary, Poland, Romania, and Yugoslavia.

sired quantity might fluctuate annually by 20 percent depending on the Polish harvest results.

The three chronic grain deficit countries of Czechoslovakia, GDR, and Poland are calling for expansion of their grain area and production—the GDR and Poland for wheat and barley, and Czechoslovakia for corn. The GDR and Poland, which are north of the European corn belt, would also like to increase their corn area, but they have been unsuccessful until now.

Other Crops Mostly Improved

Production of oilseeds is estimated to be up about 380,000 tons, or 14 percent over 1974, with Polish rapeseed and Bulgarian sunflowerseed each accounting for about one-third of the increase. Sunflowerseed contributed two-thirds of the total oilseed increase, despite unchanged output by the leading producer, Romania. An increase in Czech rapeseed production more than offset the close to one-fourth drop in East Germany. Soybean production is estimated to be up about 35,000 tons because of acreage increases and favorable weather in all the southern countries except Romania.

Increases in oilseed crops diminish the prospect of edible oil imports by the region during 1976, particularly into Yugoslavia, the only substantial East European customer for U.S. soybean oil in 1975. Oilmeal imports into the region may stabilize at the 3-million-ton level, with the United States likely having a 25 to 30-percent share. Limited foreign exchange will reduce imports of oilseed products to Yugoslavia, but commitments to increase meat supplies to consumers in Poland, Romania, and Bulgaria will result in greater oilseed meal feeding there.

The region's potato crop declined from the 1974 level by about 5 million tons, seriously affecting the feed supply in Czechoslovakia, the GDR, and Poland. Poland and the GDR together accounted for 80 percent of the drop.

The region promises to be a net exporter of sugar in 1975/76. Increased sugar yields in Poland and Hungary combined with increased sugar beet area and production in the region, will push up sugar production by about 15 percent over 1974/75. Poland's 30-percent sugar production increase will assure resumption of exports. However, a drop of about 20 percent in Romanian production, together with promises of larger supplies for consumers, will probably eliminate exports there. Hungary and Bulgaria should be self-sufficient in 1975/76.

Pressure on Livestock Inventories

Total meat production—of which pork accounts for 57 percent, beef 26 percent, and poultry 14 percent—was up 4 percent.

Based on data available for the first 8 months of 1975, regional beef and veal production was ahead 6 percent, and pork and poultry production 3 percent of that in the same period in 1974. Poland, the principal exporter of canned ham in the region, increased ham exports by 25 percent, but total meat and meat products exports were up only 3 percent. Poland's exports in 1976 will be curtailed to assure better domestic supplies.

Hungary succeeded in increasing slaughter cattle and hog exports. A contract for a monthly shipment of 10,000 live cattle to the Soviet Union will replace half of the Hungarian sales lost through the European Community's embargo on cattle imports. Hungary, the leading regional exporter of poultry meat, increased its sales of this product by 20 percent during January-August.

Yugoslavia exported 26,000 live cattle in the first 8 months of 1975, compared with 4,200 in the same period of 1974, and exported 38,000 tons of meat, compared with 27,000.

World price ratios in 1974 did not favor feeding of hogs and poultry and indications are that inventories of hogs and poultry are declining in some countries. But since the price ratio improved in 1975 and the meat glut is expected to disappear within a couple of years, the various governments have been careful not to reduce stocks drastically.

Slower Growth in Future

While the 1976-80 plan targets for Eastern Europe are not yet published, preliminary announcements aim at continued growth in agricultural production, but at a somewhat slower rate than in 1971-75.

The GDR has announced that in 1976 it will reduce producer prices for hogs and poultry and will increase prices for cattle and grains, except for oats. These measures may retard the growth of hog and poultry production and drive the marginal producers out of business, but will make more effective use of imported grain. Hungary will charge farmers 20 to 25 percent more for fertilizer and plant protection agents in 1976, but will increase producer prices for crops and livestock products to compensate farmers for the additional expenses.

In Romania, consumer disturbances in late summer have brought promises of more bread, meat, vegetable oil, sugar, and other food items. Since domestic production has been curtailed by 2 years of drought followed by flooding this year, this policy will result in restricted exports of these products in favor of domestic consumption. In order to enhance meat and animal fat production, it has been decreed that all household plots should raise a minimum of 2 hogs, one of which is to be sold to the State. A bonus will also be paid for hogs slaughtered above 120 kilograms live weight, to avoid uneconomical slaughter of unfinished animals.

In Yugoslavia, the reduction of the trade deficit is a major policy goal. The government now pursues aggressive export marketing and import restriction policies. Very good crop output except in wheat will make agriculture an important contributor to this endeavour. The domestic production success combined with the restrictive import policy will result in greatly reduced imports of U.S. oilseed products and in no U.S. grain sales to Yugoslavia in fiscal 1976. (*Thomas A. Vankai and Miles J. Lambert*)

People's Republic of China

Preliminary reports indicate that 1975 was a good year for agriculture in the People's Republic of China (PRC). Official Chinese claims that the total grain crop will exceed the 260-million ton record reported for 1974 appear to be valid. Other unconfirmed estimates range up to 280 million tons. However, output will probably not be as high as expected earlier in the year because of unfavorable weather.

The distribution of production gains also appears to be better. A larger proportion of areas producing grains, including many marginal producing areas registered increases in 1975. Many of these areas have for many years been at a questionable level of self-sufficiency.

The largest relative increases in 1975 probably were in the harvest of summer crops (wheat, barley, pulses, other minor grains, and rapeseed). These early harvested grain crops together with early rice constitute slightly over a third of the PRC's total grain crops. Although another record was claimed for early rice production in 1975, the increase was small compared with the large increase in 1974.

Of the other two rice crops (intermediate and late), only the 10-percent increase in total production of late rice was officially mentioned. This claimed increase is not as significant as it might appear, since the late rice crop in 1974 was below the average of the past few years. The late rice crop has been increasing in recent years, but probably not at the same rate as early rice. The increase in these two crops has occurred at the expense of the single, intermediate rice crop (formerly the largest rice crop) whose acreage is being adapted to double-cropped rice.

Nevertheless, the total rice crop will not likely register the gains as large as appeared possible earlier in the season because of unfavorable weather. Both the early and late rice crops were affected, especially in Kwangtung Province—the leading rice-producing province—but increases in other rice producing areas lifted total rice production to a new high.

There is less certainty of increases in other crop categories. Although official statements earlier in

the harvest season indicated bright harvest prospects for other major crops. A later statement about cotton, oil-bearing crops, sugarcane and sugarbeets, bast fibers, tobacco, and other industrial crops indicated only that their harvest was achieved in the face of floods in some areas and drought in others. Rapeseed and tea, two crops harvested at the same time as winter wheat and early rice, attained record levels.

The lack of a more positive statement regarding industrial crops may indicate that accurate information on crops other than grains was not yet available. Typhoons damaged sugarcane in Kwangtung Provinces, and heavy rains in Central China in late August and early September, and in the North China Plain at harvest time may have affected the amount and the quality of the cotton harvest.

Ideal harvest weather in Northeast China, which was dry in October, aided harvesting of soybeans, but yields may have been down due to the long period of dry weather prior to harvest. Soybeans and other crops in the North China Plain probably fared better. Heavy rains in early October may have affected harvesting operations and drying of grain preparatory to storage. Excessive wet weather which affected planting operations of winter crops in the North China Plain at the same time that most fall harvest crops were being reaped may have affected output or quality.

The September National Agricultural Conference set goals for accelerating the pace of mechanization looking toward the end of the fifth five-year plan (1980) as the completion date for basic agricultural mechanization.

The program to increase hog production was intensified during the year and is partly aimed at stepping up the availability of organic fertilizer. Hogs are the best source for manure—the most important ingredient in the Chinese fertilizer program. The government has decided that collectivization of hog production is the most efficient method of increasing both the number of hogs and the production of organic fertilizer. More hogs will also provide added exports to earn more foreign exchange, and larger meat supplies to enhance domestic consumption.

Except for hogs, which apparently fared well in 1975, little is known of the progress of the PRC's livestock industry. Visitor observations, while limited, indicate that programs to increase poultry at the commune level and to improve breeding stock of large animals both for draft and animal byproducts for consumption have been only partly successful. Problems in the development of pastoral areas and in establishing adequate fodder bases for various livestock categories throughout the country have not been fully solved.

Concurrent with increases in grain production has been a decline in the importation of grains from the West by the PRC. Indications of further

delays in shipments of grain to the PRC on contracts for delivery in 1975 and the probability of increased PRC exports of rice to Asian neighbors suggests the narrowing of the gap between PRC imports and exports of grain. China probably will be nearer a balance in volume of grain trade in 1975 than in any year since massive imports of grain began in 1961. The prospect of possible balancing grain trade, or even again becoming a net grain exporter, while providing the population with a rising level of consumption, also provides some measure of the success of the "agriculture first" policy adopted by the PRC following the Great Leap Forward and the agricultural depression of the 1959-61 period. (*Marion R. Larsen*)

Asia

With better weather throughout most of Asia, principally due to excellent monsoon rainfall, crops in general are expected to be at or above previous record highs. Flooding in some areas of eastern India, Bangladesh, Thailand, and in some other parts of Southeast Asia has reduced some harvest prospects, damaging to a degree both the rice and the corn crops, as well as ruining some farmer held stocks. This damage, however, now appears to be offset by the excellent harvests elsewhere. In some cases, cash crops such as sugar and copra are forging ahead. In other cases, input factors appear to make a difference. More thought is also being given to other problems such as storage waste and losses, and ways to supply the credit necessary to allow individual farmers to improve their use of inputs and facilities.

Per capita grain production in most Asian countries remains below previous peaks despite bumper harvests this year. The emphasis for cereal self-sufficiency seems to have diminished. There now appears to be a much greater push for agricultural and natural resource exports which provide foreign exchange which in turn makes possible larger cash grain purchases. By such means some Asian governments hope to gain more flexibility in solving food shortages.

Total *Indian* production of cereals and pulses (called "food grains") during 1975/76 (July/June) is expected to exceed 114 million tons—up from about 102 million tons in 1974/75. This exceeds the previous record of 108.4 million tons in 1970/71. While production of rice and sorghums are likely to reach a record this year, output of corn and bajra will remain below the 1970/71 peak.

While India's total food grain production this year will probably be about 12 million tons above last year, but greater than usual losses of stored grain will cause import needs to remain strong. Floods caused Indian farmers to incur the most severe storage losses this year in a decade. Estimates for losses of grain in farm storage facilities

due to floods in Bihar, Orissa, and Uttar Pradesh in August range from 2 to 3 million tons.

India's losses of grain to rodents, insects, birds, and monkeys from the time of maturation in fields until scheduled household use are even more staggering. During the last 3 years, the loss was probably about 10 million tons annually, including 2 million tons lost in the field before harvest. Some studies done by British researchers in India during the last two decades indicate that annual grain losses in village storage facilities were at least 7 percent, and in eastern Uttar Pradesh, sometimes 25 to 35 percent.

New programs are underway in India to provide loans and technical assistance to cooperatives and private farmers for improving grain storage. Prospects for excellent grain harvests this autumn and high farm prices have bolstered the demand for storage facilities used by rural families.

India's per capita food grain output in 1975/76 might reach 179 kilograms—6 percent below the 190 kilograms recorded in 1970/71. This means that India must import about 7 million tons of grain in 1975/76, just to supply that difference of 11 kilograms per person. The average Indian diet contained about 2,140 calories in 1971 but in 1975 the level was about 5 percent less. It now appears that the average diet will improve in 1976, possibly moving near the peak level in 1971.

The Government of *Pakistan* has set a goal for wheat production of 8.5 million tons for 1975/76 crop. The 1974/75 goal of 8.6 million tons of wheat was not achieved due to lack of rain, low moisture at the planning time, and low water level in irrigation canals. High fertilizer prices and low Government wheat procurement prices were disincentives for production.

The 1975/76 wheat crop had good rains and better than average soil moisture at planting time and plenty of water in the irrigation canals. In addition, the government has tremendously improved the fertilizer distribution system. Last year most of the fertilizer distribution was in the hands of Provincial governments. This year the Government has permitted private dealers to sell fertilizer at the village level without any limitations. Now a farmer can buy fertilizer either from public or private dealers, whichever gives him better service.

The Government of *Pakistan* also made a special effort to provide farm credit so that farmers could buy required fertilizer for wheat and other crops.

Wheat imports into *Bangladesh* in 1975 will reach 2 million tons—double the 1972 level and about one-fifth above 1974. Rice imports this year will approximate 500,000 tons—up from only 92,000 tons in 1974. The United States will supply almost half of the wheat and over two-thirds of the rice imported by *Bangladesh* this year. Output of milled rice in 1975 is expected to reach a record 12.3

million tons—about 1 million tons above the 1974 level. Yet, per capita grain production at 155 kilograms in 1975 will be 11 percent below the peak of 175 kilograms recorded in 1969. Per capita grain imports in 1975 (31 kilograms) were almost double the 17 kilograms recorded in 1969. Thus, the total per capita grain supply in 1975 of 186 kilograms was only 3 percent below 1969.

Taiwan expects to harvest a 1975 rice crop of 2.43 million tons, 10 percent larger than the 1974 harvest. The Government has been pushing for increased rice production by maximizing availability of fertilizer, pest control, easy term farm credit, and improved farm technology.

The first rice crop (mid May to July harvest season) was about 1.22 million tons compared with last year's first crop of 1.16 million tons. The second rice crop, which is harvested from October through December, is expected to be about 1.21 million tons, about 16 percent higher than last year's second crop of 1.05 million tons.

Taiwan is self-sufficient in rice production, but other grains such as corn and wheat have to be imported in order to meet domestic demand. Taiwan produces only about 10 percent of its corn requirements. In 1975 it is expected to produce about 120,000 tons of corn, compared with 107,000 tons produced in 1974. Taiwan's total consumption of corn in 1975 is expected to be around 1.2 million tons with most of the imports coming from Thailand, South Africa, and the United States. Most of the corn consumption in Taiwan is used for the expanding livestock industry.

Taiwan does not produce wheat, and will need to import about 650,000 tons of wheat in 1975, with about 600,000 tons coming from the United States.

U.S. agricultural exports to South Asia (Afghanistan, Bangladesh, India, Nepal, Pakistan, and Sri Lanka) as a group are expected to rise more than 15 percent in fiscal 1976, following a leap from \$663 million in fiscal 1974 to \$1.23 billion in fiscal 1975. Larger sales of wheat and sorghum to India and more wheat and rice to Bangladesh are expected to account for most of the increase.

The value of our agricultural exports to the Southeast and East Asian region (excluding Communist Asia and Japan) is expected to rise to about \$2.0 billion from the \$1.9 billion recorded in fiscal 1975, but will remain below the record \$2.25 billion for fiscal 1974 when shipments to South Vietnam, Cambodia, and Laos were \$359 million. The countries of East Asia are expected to buy more wheat, cotton, tobacco, and tallow, but less rice from the United States in fiscal 1976.

In the last 2 years, the People's Republic of China and Thailand have increased their rice exports to Asian markets, particularly to Indonesia, Hong Kong, and the Philippines. U.S. rice exports to the region increased in fiscal 1975 because of the

striking rise in rice exports to South Korea—eight times the fiscal 1974 level—to 577,000 tons. U.S. rice exports to South Korea are expected to remain strong in fiscal 1976.

U.S. corn exports to Taiwan and South Korea were hampered in recent years because of increased competition from Thailand and South Africa, and prospects for future gains are still clouded.

Setbacks in textile exports by South Korea, Taiwan, and Hong Kong caused U.S. cotton exports to East Asia to decline sharply in fiscal 1975. While some recovery in textile exports from the Far East can be expected in fiscal 1976, the volume of U.S. cotton exports is likely to return to the more normal levels which preceded the peak recorded in fiscal 1974. (*Asia Program Area*)

Latin America

Agricultural production in Latin America during 1975 is expected to exceed the 1974 high by less than 2 percent despite a record area planted to food crops and a significant increase in output of livestock products. Production of wheat and rice rose sharply and soybeans maintained the record up-trend of recent years. However, those gains were largely offset by a cutback in cotton plantings and by the effects of unusually adverse weather in important areas including Argentina, Brazil, the Caribbean, and Central America. Weather damage in those areas reduced the region's 1975 output of feed grains, sugarcane, bananas, and coffee. Further reductions are anticipated for 1976 production of coffee and sugarcane.

Latin American agricultural exports for 1975 will be significantly below records of the previous year due to restricted supplies of some commodities, particularly cotton and bananas, and to weakened world demand and lower prices which cut export earnings from grains, oilseeds, sugar, and coffee. The value of the region's imports will also be curtailed by lower world prices, a significant recovery of Mexican agricultural production, and the general falloff in consumption associated with continuing high inflation and lower rates of economic growth in most countries.

The current situation is indicated, to some degree, by U.S. agricultural trade with the region during January-September. U.S. agricultural imports from Latin America declined from \$3.4 billion in 1974 to \$2.9 billion in 1975 as sugar purchases dropped sharply. Reductions in bananas and cocoa were largely offset by an increase in coffee. U.S. exports to Latin America declined from \$1.9 billion to \$1.6 billion, reflecting increased trade in wheat and feed grains and a reduction in rice, soybeans, and fats and oilseed meals.

Argentina's output of livestock products is estimated up sharply from depressed levels of the

past 2 years led by a rise in beef output. However, early 1975 harvest yields for feed grains, oilseeds, and fruits were sharply reduced by heavy rains which also delayed seeding of later cereal crops. Production of corn (7.7 million tons) and sorghum (5 million tons) was sharply below 1974 records, and output of oilseeds fell by about 10 percent. Higher producer prices stimulated increased plantings of wheat and other late cereal crops. Some later crops, including sugarcane, were damaged by unusually cold weather and drought after midyear. However, wheat benefitted from later rains and the new 1975 crop is estimated at 7.5 to 8.5 million tons, compared with 5.8 million tons for 1974. Current conditions appear generally favorable for planting and early growth of feed grains and other crops for harvest in early 1976 indicating a strong recovery in the country's exports.

Brazil continued strong expansion in soybeans in response to favorable 1974 prices, and 1975 production was estimated at 9.6 million tons, about 30 percent above the 1974 record high. Growing conditions were also favorable for other early crops including corn and rice. However, the severe cold front which pushed deeply into the southern agricultural zones in early July severely damaged pastures and later crops. The 1975 coffee harvest (1.44 million tons) was near completion and suffered only limited yield losses; but the severe freeze killed large numbers of trees in the main producing zones and preliminary estimates for 1976 production range down to less than one-half the normal 1.5 million ton crop.

Serious damage from freeze and later dry weather was indicated for pastures and growing crops including sugarcane, fruits, and vegetables. The 1975 wheat crop was also affected, and production is estimated near 2 million tons down from 2.8 million in 1974. Crop damage is encouraging an increase in wheat imports and it may also result in some further shifts from coffee production to grains, oilseeds, and other crops in the southern producing areas.

Mexican producers cut cotton plantings for 1975 to the lowest level in recent years in response to low 1974 prices. Producers in the northern zones shifted to other irrigated crops, particularly wheat, where output is estimated near 2.7 million tons, compared with 2.2 million tons in 1974. Dry weather in northeastern Mexico limited expansion in sorghum, but improved moisture and high prices stimulated plantings of the major food crops in central Mexico. Favorable growing conditions indicate bumper harvests of 9.3 million tons and 1.2 million tons for corn and beans, both up sharply from frost damaged harvests of 1974.

Mexico continued to import a high level of grain and other food commodities through early 1975 to

offset lower 1974 production. Cattle exports were restricted to meat rising demand for meat and livestock products. A strong recovery in food production, estimated up nearly 8 percent from 1974, was reflected in a sharp reduction of imports late in the year. This trend may be expected to continue into the coming year.

Caribbean agricultural output will be down nearly 5 percent in 1975 due to unusually dry weather continuing from 1974, which spread through the northern regions. Production of grains and other food crops was reduced in those areas to the lowest level in recent history and pastures were badly damaged. A decline in yields of sugarcane to be harvested in early 1976 is anticipated, particularly in the Dominican Republic and Jamaica. Grains, oilseeds, and other agricultural imports were increased sharply in most countries to meet domestic food requirements.

Central American agricultural production also declined due to cutbacks in cotton and livestock production and to the effect of adverse weather upon crop production in many countries. Banana production was reduced nearly 15 percent to about 3.3 million tons because of 1974 hurricane damage. Drought extended into the agricultural areas, contributing to significant yield reductions for coffee, corn, beans, and other food crops, particularly in Honduras and bordering countries such as Guatemala and Nicaragua. Central American coffee production was down due mainly to a smaller crop in El Salvador. Sugar output from the early 1975 cane harvest was estimated to be up about 10 percent to 1.3 million tons.

Agriculture in some other South American countries (Bolivia, Peru, Paraguay, and Uruguay) was affected by unusually cold, wet weather. Chilean agriculture continued a moderate recovery with output estimated about 5 percent above 1974. Agricultural conditions remained favorable in Colombia, Ecuador, Venezuela, and Guyana. Those countries continued an expansion of rice and are expected to produce a surplus for export to the Caribbean and other deficit areas in the region. (*Howard L. Hall*)

Africa and West Asia

Africa

Preliminary estimates of 1975 agricultural production in Africa indicate that total output is unchanged from last year. This resulted in another drop in per capita food production which fell to an index of 95 (1961-65=100). Among the larger agricultural countries, Nigeria, Egypt, Ghana, and Sudan registered gains, but these were offset by reduced production in a number of countries, mainly in the southern part of Africa. Angola's production

dropped sharply—an estimated 35 percent—because of civil strife.

For years, the Spanish Sahara has been of little economic value to the mother country, Spain. Because of lack of water, crop farming is meager, consisting of little more than the growing of small patches of barley, wheat, and millet in protected valleys. Nomads keep herds of camels, goats, and sheep.

The colony has taken on added domestic economic significance and worldwide agricultural importance with the discovery of phosphate deposits, estimated at as much as 1.7 billion tons. Commercial exploitation of the phosphate deposits began at Bu-Craa in 1973. The first phase of production has been at the rate of 3.3 million tons per year. This rate could be multiplied to 10 million tons a year, which would be a tenth of world production.

Both Morocco and Mauritania have political claims on Spanish Sahara. Morocco's position as the world's largest phosphate exporter, in control of about 50 percent of the world's phosphate rock reserves, would be greatly strengthened if Spanish Sahara were added to its control, Morocco would then have 60 percent of the world reserves.

A near record or possibly a record corn crop is being harvested in Kenya this year. The agricultural outlook is also favorable regarding increased production and export earnings from coffee, tea, and pyrethrum.

Kenya is one of the few countries in Africa currently exporting grains; Malawi, Rhodesia, and South Africa are the others, although it has found it necessary to import wheat each year since 1971. However, the downward trend in domestic wheat production has apparently been turned around by the drive to bring new lands—formerly the Masai pastoral grazing lands in the Rift Valley—under cultivation in large scale units.

Egypt's total agricultural production increased about 2 percent in 1975. A record corn crop and increased output of fruits, vegetables, and wheat helped offset the decline in cotton production. Egypt's cotton exports are expected to fall to only 200,000 tons in 1976—down from about 300,000 tons annually in the early 1970's.

The Egyptians plan to open a permanent office in Washington, D.C. in January 1976 to handle purchases of basic food commodities in the United States. Egypt probably will import over 1 million tons of U.S. wheat in fiscal 1976.

The nine countries of the European Community recently concluded an agreement for the sale of 1 million tons of grain to Egypt annually for 3 years

at controlled prices. Prices of the grain for 1975/76 could fluctuate between \$120 and \$175 per ton. Also, Australia has an agreement to deliver 1 million tons of wheat annually to Egypt.

West Asia

In West Asia, 1975 agricultural production was up about 5 percent. Per capita food production was up about 4 percent. Largest gains were in Turkey, Iran, and Iraq. Jordan's production suffered a severe drop because of drought. Syria and Lebanon also had smaller agricultural outturn in 1975.

The rapid rise in agricultural imports continues to highlight the agricultural picture over much of West Asia, particularly in the oil-rich countries. Iran and Turkey, because of good production, will need to import fewer agricultural products this year, temporarily interrupting the rising trend in imports of those countries.

Revised estimates of Turkey's 1975 wheat crop indicate output surpassed 11 million tons and, if so, establishes a new record high. The huge crop not only means that Turkey, often a large importer of wheat, will not need to import wheat this year, it also means that Turkey's supply situation is close to the point that might trigger some exports of wheat.

U.S. agricultural exports to West Asia in 1975 will be the vicinity of \$1.5 billion—about five times the value recorded as recently as 1972. Our major markets in the area are: Iran, exceeding \$500 million; Israel, valued at about \$300 million; Iraq and Saudi Arabia, exceeding \$125 million each; Syria and Lebanon, exceeding \$50 million each; and Kuwait and Libya, exceeding \$25 million each. Our agricultural exports to the United Arab Emirates will approximate \$10 million in 1975—up from only \$917,000 in 1972, making it one of the fastest growing markets for our farm products.

New markets for certain U.S. farm products are opening up in this area. The Suez Canal reopening on June 5, 1975, aided the first U.S. exports of grain sorghum to Saudi Arabia and Iraq. Plans for expansion of livestock and poultry operations in Iraq, Iran, Syria, and some Arabian Peninsula countries are expected to cause a strong growth in imports of coarse grains and oil cake. Thailand's exports of corn to the Arabian Peninsula jumped from 23,447 tons in 1973 to 51,192 tons in 1974 and expanded further in 1975. (*Africa and Middle East Program Area*).

With the exception of the United States and probably Japan, which are solidly moving into economic recovery, the other major industrial countries—the United Kingdom, France, Italy, and Germany, are still waiting for a consistent improvement in their economic indicators that will definitely confirm the start of recovery. In some countries, economic stimulative programs are well underway, but the benefits which so far have been limited, will begin to be felt more strongly as the year progresses.

The U.S. economy turned in an impressive performance in the third quarter with real output increasing at an annual rate of 13.2 percent compared with 1.9 percent in the second quarter. However, of the 13 percent increase in real output, nearly three-fifths was accounted for by a slower rate of inventory liquidation. In the second quarter, businessmen continued massive cuts in their inventories—declining around \$17 billion. In the third quarter real inventories declined at a \$2 billion rate. This slower rate of liquidation indicates that final demand is being increasingly met out of current demand. It is, however, not a source of prolonged strength since the inventory correction begun early in the year may be ending. Real final sales in the third quarter increased at a 5 percent annual rate, compared with 4.6 percent in the second. This could not be considered a great resurgence in the consumer sector.

Recently released monthly economic indicators are less encouraging. In October the unemployment rate rose for the first time since May, increasing to 8.6 percent largely due to increased entrants into the labor force. At the same time, industrial production recorded the smallest monthly gain since May when the current upturn in production began. This suggests that businesses are not rapidly rebuilding inventories following the summer's massive liquidation. The inflation problem continues to persist. The consumer price index increased at an unadjusted 7-percent annual rate in October, with retail food prices rising at an 8½ percent rate. All items, less food, increased at a 7-percent unadjusted rate.

Economic growth in the fourth quarter of 1975 is expected to be much slower, and for the year as a whole growth is expected to be about minus 3.0 percent. The direct effect of faster growth in the last half of 1975 on the other industrialized countries may be minimal at this time, but should contribute to the confidence of other countries that the upturn is indeed approaching.

By comparison, the five other major countries are not doing as well in the recovery, although Japan's industrial utilization and number of hours worked have both taken an upturn in recent

months. The recession affected them later than it did the U.S. and recovery is expected to lag. They have all been cautious in stimulating their economies because of the very strong world inflation of 1974-75. Because trade makes up such a large portion of their gross national products, they are all very sensitive to changes in one another's import demand. The effect is circular: When one country's imports decline, the others experience a cut in exports and a consequent slowdown in domestic economic activity; on the other hand, increased import demand by one country tends to stimulate the economies of the others.

The simultaneity of growth and recession in these major countries is an often-mentioned development that has arisen in the past few years, but an equally prominent though less-mentioned theme is the increased emphasis nations have given to their own internal domestic policies—particularly of growth, stable prices, and full employment. In order to achieve these goals, given that these economies are moving in tandem, more international cooperation and exchange of policy information is needed.

To this end the French called a summit meeting November 15/17 of the heads of state of the six countries that account for about 70 percent of non-centrally planned economic activity. The countries were France, the United States, Japan, West Germany, the United Kingdom, and Italy. The purpose was to exchange viewpoints on the present world recession, the question of exchange rates, development policy, energy, raw materials, and East-West relations. While in the short-run this summit meeting may not hasten the end of the recession, it may achieve some communication and cooperation on issues that will affect long-term growth for all of these countries.

In terms of GNP and unemployment, it appears that the major countries will have to wait until probably the second quarter of 1976 before firm improvement is really evident.

The six major industrial countries except for Japan, will undoubtedly record a downturn in economic growth in 1975 for the year as a whole. Very early indications for 1976 show a positive growth rate in all of these economies, perhaps excepting the United Kingdom which will continue to have serious structural problems.

Unemployment continues to be a serious problem in the industrial countries. Even when economic activity regains some momentum, it will take some time before employers rehire workers laid off in a period of slack. Unemployment, which had averaged less than 8 million in the 24 OECD countries in the early 1970's, almost doubled this level in mid-1975. Considerable recovery in eco-

conomic activity will be required to reduce unemployment to prerecession levels.

The rise in consumer prices for industrial countries has continued to slow down in the third quarter. According to the International Monetary Fund (IMF), the increase in consumer prices for 15 industrial countries for the 12-month period ending September 1975 was 9.8 percent compared with 11.1 and 10.4 percent for the 12-month periods ending in July and August, respectively (table 2).

The less developed countries' economies are continuing to experience a slowdown in economic growth along with a particularly keen awareness of the vulnerability of their export sectors to downturns in the developed countries' economies. Although the value of their exports increased nearly two-fifths in 1974, available data indicate a probable decline for 1975. The approximately 41 less developed countries with per capita incomes of less than \$230 in 1973 had no real economic growth in fiscal 1975. Growth in 1976 for these countries depends on an increase in demand for their exports from the developed countries as well as the availability of financing to meet their external deficits.

One of the most prominent themes of the IMF-World Bank meetings in September was how to help the developing countries with their external debt problems. One scheme soon to be put into effect, if approved by member countries, is to sell one-sixth of the IMF's gold for the benefit of devel-

oping countries. Most of the difference between the present official price and the market price for the gold when it is sold will go to a trust fund for the future benefit of the developing countries. About 25 percent of the proceeds will go directly to developing countries according to their quotas. Other trust funds and the expansion of IMF and World Bank facilities are also being considered.

Another discouraging note for the developing countries was the 10-percent oil price hike announced by the OPEC countries in late September. Despite some softening in world demand for oil in the past year due partly to the recession, the OPEC countries were motivated by rising world prices to retain present levels of the price of oil in real terms.

The value of the U.S. dollar, based on U.S. Department of Commerce trade-weighted exchange rates available up to October 15, continued to strengthen; the dollar appreciated most strongly vis-a-vis the British pound and the Japanese yen among the major currencies. The factors that have contributed to this strengthening are the continued growth of the U.S. economy and recent strong merchandise trade performance.

Table 3 summarizes the average changes through October 15, 1975, in the value of the U.S. dollar relative to the currencies of our 67 major trading partners and to those of the 14 major industrial countries. (*A. Vellianitis-Fidas*)

WORLD PRICE DEVELOPMENTS

International prices have taken an uncertain course in the wake of the July Soviet purchases, the lowered prospects for the U.S. 1975 corn crop, the subsequent U.S. moratorium on further sales to the USSR, followed by the October signing of the long term U.S. grain sales agreement with the USSR and lifting of the moratorium.

By November, however, prices of the major grains and soybeans had settled down (figure 1). In November, the U.S. Gulf port price for wheat (HRW No.2) was \$4.09 a bushel, 8 percent lower than in October, and \$1.01 a bushel lower than a year earlier. The November Gulf port price for corn (no.3 yellow) at \$2.85 a bushel was 9 percent less in October and 81 cents a bushel less than a year ago. The Gulf ports soybean price (No. 2 yellow) at \$4.94 a bushel has been falling sharply since August and was \$2.80 a bushel less than a year ago.

Sugar prices have continued to decline from their zenith of a year ago. In November, the New York spot price for sugar was only 25 percent of a year earlier. A smaller U.S. cotton crop has buoyed up cotton prices, while freeze damage to next years Brazilian coffee crop has already been reflected in higher coffee prices.

Imported beef prices have taken an upturn in accordance with domestic U.S. beef prices. International rice prices, which are well below last year's levels, were stronger than they had been during the summer months of 1975 despite record U.S. and world crops. International vegetable oil, jute, and sisal prices have declined from a year ago, while pepper, beef, lamb, and bacon prices have strengthened.

Farm Prices

U.S. farm prices have reflected the uncertainty that has prevailed in international markets. U.S. farm prices, which stood at an index of 185 (1967=100) in November, decreased 4 percent from October levels. Lower prices for wheat, corn, soybeans, hogs, and cattle more than offset higher prices for milk and eggs.

At the farm level, wheat at \$3.58 a bushel was priced 26 percent lower than a year ago; corn at \$2.33 a bushel was 30 percent lower; and soybeans at \$4.45 a bushel were 40 percent lower. While most major crops were priced lower than a year ago, most livestock products were priced higher.

Table 2. - Changes in Consumer Prices: World and Industrial Countries

Months: Percent Changes in 12 months
 Annuals: Averages of Monthly changes

	1973	1974	1974	1975	
			September	July	August
					September
World					
Industrial Countries	9.6	15.1	16.0	n.a.	n.a.
United States	7.5	12.6	13.4	11.1	9.8
Canada	6.2	11.0	11.9	9.7	7.9
Japan	7.6	10.9	10.8	11.1	10.7
Austria	11.7	22.7	21.9	11.8	10.7
Belgium	7.5	9.5	10.1	8.9	n.a.
	7.0	12.6	15.7	12.0	10.8
Denmark	9.3	15.3	16.6	9.9	n.a.
France	7.4	13.6	14.7	11.1	n.a.
Germany	7.0	7.0	7.3	6.2	6.1
Italy	10.8	19.1	23.0	17.1	n.a.
Luxembourg	6.1	9.5	10.6	10.4	10.9
Netherlands	8.1	9.6	10.4	10.5	10.4
Norway	7.5	9.4	9.9	12.8	12.6
Sweden	6.8	9.8	9.8	11.4	n.a.
Switzerland	8.8	9.8	11.3	7.4	5.4
United Kingdom	9.2	15.9	16.0	26.2	n.a.

Source: IMF, International Financial Statistics, November 1975.

Table 3. - Exchange Rates Percent Change*
Exchange Rates Percent Change*

	From 1971 to 1972	From 1972 to 1973	From 1973 to 1974	From Jan.-Oct. 1974 to Jan.-Oct. 1975	From Jan.-Oct. 1974 to Oct. 15, 1975
Exports - Foreign currency cost of U.S. dollars					
Trade weighted average of 67 countries	-2.9	-4.4	+1.5	+5.2	+1.2
Trade weighted average of 14 countries	-5.8	-5.8	+1.1	+0.2	+0.6
Imports - U.S. dollar cost of foreign currencies					
Trade weighted average of 67 countries	+4.6	+5.8	-1.7	-1.3	-0.8
Trade weighted average of 14 countries	+9.0	+10.1	-2.9	+2.1	-0.4

*Yearly figures represent average mid-month exchange rates.

Source: U.S. Department of Commerce.

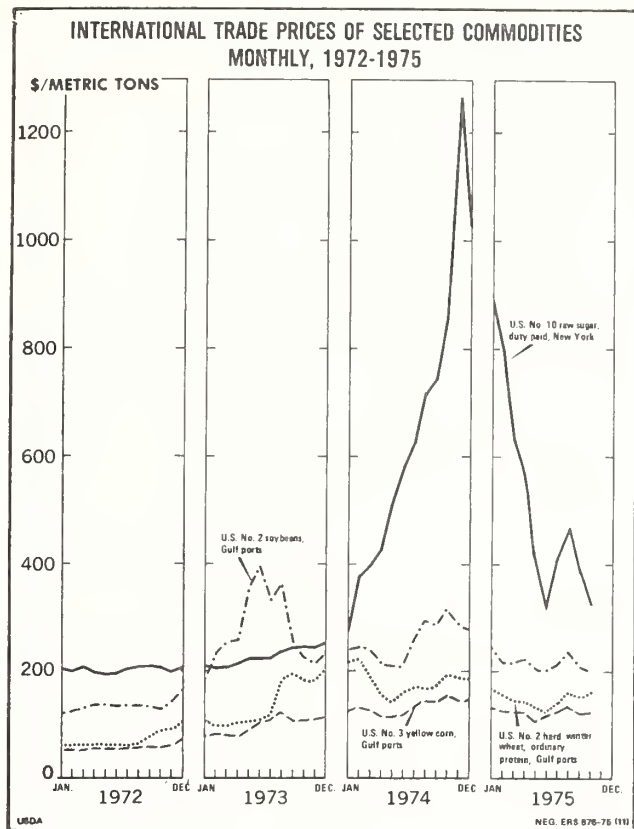


Figure 1

In June 1975, prices received by farmers in EC countries were on the upswing. Farm level prices were 14 percent higher in June 1975 than in June 1974 in West Germany, 9 percent higher in France, 15 percent higher in Italy, 14 percent higher in the Netherlands, and 17 percent higher in Belgium. (In June, U.S. farm level prices were 10 percent higher than a year earlier.) Livestock prices were rising faster than crop prices.

By October, however, wholesale market prices of beef had declined from their summer highs in every EC country except Italy. In Belgium, Luxembourg, France, West Germany, Netherlands, and Denmark, wholesale cattle prices were declining from the record levels of mid-1975. The high points in Irish and British beef prices were in 1973, while Italy's highest beef prices were in October 1975 (the latest date available for this analysis.)

EC hog prices also strengthened, except in Italy, the Netherlands, and Luxembourg where October hog prices were at a lower level than in early 1974.

In Japan, farm prices moderated slightly from their April peak, but June 1975 farm prices were 15 percent higher than a year earlier. In June, rice prices were 31 percent higher than a year earlier,

while wheat prices were 13 percent higher. Meat animal prices continued to climb to new peaks, and were 30 percent higher than they were a year earlier. Canadian farm prices have taken an upturn since the second quarter of 1975 when farm prices were 6 percent below those of the second quarter of 1974.

Prices of Agricultural Inputs

The index of prices paid by U.S. farmers for commodities and services, interest, taxes, and farm wage rates in November was 188 (1967-100), unchanged from a month earlier. U.S. farm inputs were priced 6 percent higher in November than they were a year earlier. Livestock feed, feeder livestock, and fertilizer were priced lower, but seed, interest, taxes, farm wages were all higher.

In November the U.S. feed-livestock ratios were more favorable than they were a year earlier. Returns for poultry, eggs, and milk in relation to feed prices were also still better than a year earlier. Except for turkeys and milk, returns for livestock products in relation to feed costs were lower than a month ago.

In the European community, feed costs have also risen, but at a slower rate than farmers' returns on livestock products. Prices for fertilizer and petroleum products continued to increase in early 1975, but not in most cases at the same high rate as in 1974. Among fertilizers, only the prices for ammonium nitrate and sodium nitrate in the Netherlands, muriate of potash in West Germany, and ternary fertilizers in the U.S. were increasing faster in early 1975 than they were a year earlier. West Germany and the Netherlands managed to lower their gasoline and diesel oil prices to farmers in early 1975 while fuel costs mounted in other EC countries.

Canadian farm input prices continued to climb during the second quarter. Farm input costs were 9 percent higher than during the same quarter a year ago, with feed costs rising 3 percent and fertilizer rising 39 percent. Farm machinery and hired labor costs both rose 17 percent. Canadian feeder cattle prices however were 26 percent less than a year earlier.

From July 1974 to July 1975, Japanese farm input costs rose 8 percent—a smaller increase than in recent years. Feeder livestock, whose prices had declined in 1974, were priced 15 percent higher in July 1975 than a year earlier. Fertilizer prices rose by 25 percent and feeder livestock, by 1 percent—following a year of massive price hikes. Because of the tight control over mixed feed costs and rapid increase in livestock product prices in 1975. Japanese livestock farmers have experienced an improvement in the profitability of livestock feeding enterprises.

Export and Import Unit Values

Unit values for U.S. agricultural exports and imports also reflected the uncertain tone of the international markets. In October, the index of U.S. agricultural export unit values turned down slightly from September to an index of 214 (1967=100), and was 8 percent lower than a year earlier. Export unit values of wheat, flour, corn, rice, grain sorghum, soybeans, soybean oil, tallow, hides, and nonfat dried milk were less in October than they were a year ago, while soybean meal, cotton, and tobacco were higher. The October 1975 U.S. index of agricultural import unit values at 191 (1967=100) was 6 percent less than a year ago, largely because of the sharp decline from last year's high sugar prices. Sugar, cocoa beans, beef, rubber, cattle, wool, and tomatoes were valued lower than during October 1974, while coffee, bananas, tobacco, tomatoes, wines and canned hams were valued higher.

The price index of Japan's imported feedstuffs has declined from its January peak, but in June the index was 13 percent higher than a year earlier. Unit values of imported meat had declined 14 percent from the high level of 1974, and unit values for imported wheat were 11 percent lower than during June 1974. Corn and soybeans, however, were priced 5 percent and 12 percent higher, respectively. Prices for imported sugar hit their peak in May 1975, but in June the Japanese import unit value of sugar was more than double a year earlier.

The price index of West Germany's imported foodstuffs reached its peak in November 1974. In August, as in June, the price index of West Germany's imported foodstuffs was 3 percent below a year earlier. Prices for livestock products imported into Germany have rebounded from a year ago but are below the record levels of 1973. Prices of imported products of plant origin have picked up in recent months, but are below a year ago. Imported products of plant origin peaked in November 1974.

Consumer Food Prices

In the United States, the October consumer price index for food was 179.0 (1967=100), slightly higher than September, but 8 percent higher than a year earlier. Higher prices for meats, dairy products, and coffee more than offset declines for fresh fruit, poultry and sugar. During the second quarter of 1975, the food component of the U.S. consumer price index was 7.9 percent higher than a year ear-

lier (figure 2 and table 4). Only Australia, Austria, West Germany, Malaysia, Niger, Poland, Czechoslovakia, Thailand, and Zambia had food prices gaining at a slower rate. Argentina, suffering from political upheaval, experienced an 83 percent food price hike from the second quarter of 1974 to the second quarter of 1975. Israel and Uruguay also have experienced rapid food price hikes.

Since 1970, only Austria, Belgium, Czechoslovakia, Poland, Ethiopia, West Germany, and the Netherlands have had smaller increases in retail food prices than the United States. France, Sweden, Egypt, Morocco, New Zealand, Niger, Sri Lanka, and Sweden have experienced food price rises of the same magnitude as the United States. (C. Collins)

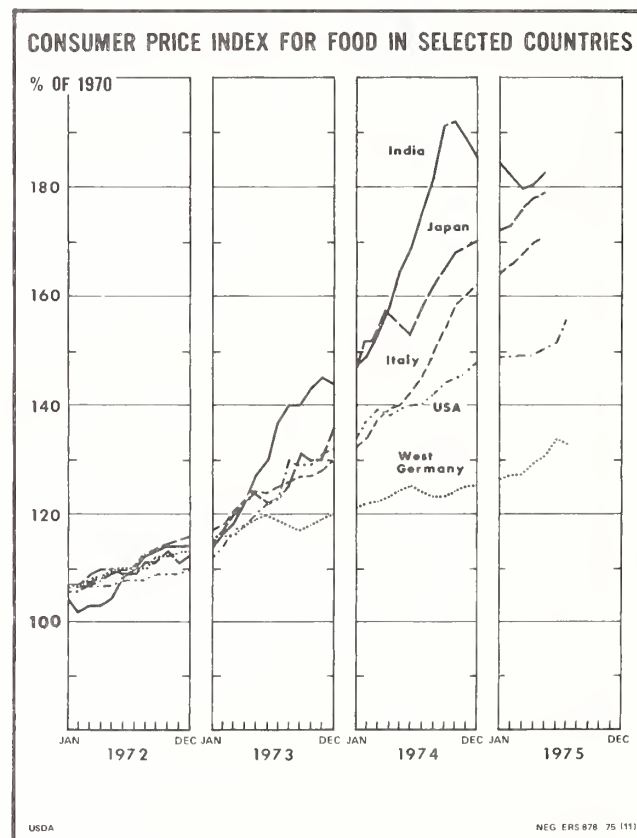


Figure 2

Table 4.--The food component of the consumer price index in selected countries

Country				1973	1974				1975	
	1972	1973	1974	IV	I	II	III	IV	I	II
					1970=100					
Argentina	231	359	413	379	373	389	410	479	575	711
Australia	108	124	143	133	138	143	147	146	148	
Austria	110	118	128	121	125	127	130	131	133	
Bangladesh	148	217	n.a.	250	266	304	339			
Belgium	109	117	128	120	123	127	131	133	136	140
Cameroon	113	124	146	131	137	141	149	156	161	
Canada	109	125	145	132	136	142	148	153	156	160
Colombia	128	169	215	172	194	215	212	238	271	298
Czechoslovakia	99	100	100	99	99	100	100	100	100	
Denmark	116	131	147	138	140	144	148	155	158	
Ecuador	118	142	187	159	166	192	192	204	219	225
Egypt	108	116	138	122	127	135	136	144	144	152
Ethiopia	88	99	108	99	106	110	108	107	102	109
France	115	126	141	131	134	139	142	146	149	154
Germany, West	110	118	124	119	122	124	124	125	127	131
Greece	109	133	169	153	163	170	169	175	184	191
Guatemala	98	117	136	124	123	127	132	160	169	
India	108	131	171	144	149	164	183	188	182	182
Indonesia	113	162	229	184	217	229	227	244	259	263
Iran	116	124	144	127	135	147	144	148	157	
Ireland	120	140	160	144	149	157	163	173	183	201
Israel	123	149	215	162	196	208	205	253	298	315
Italy	111	124	146	128	134	140	149	160	166	170
Japan	110	124	159	132	150	155	161	169	174	179
Jordan	118	140	189	154	183	201	181	191	211	226
Korea	135	138	176	143	164	171	183	188	203	224
Liberia	91	118	149	122	137	144	160	156		
Malawi	116	124	144	129	140	139	147	151	166	169
Malaysia	105	121	154	137	148	151	154	160	164	158
Mexico	108	129	174	147	165	169	179	183	188	188
Morocco	112	118	141	126	141	138	140	145	147	
Mozambique	130	127	154	129	148	151	160	161		
Netherlands	111	120	129	123	126	126	129	133	135	137
New Zealand	114	127	141	134	137	140	144	146	147	153
Niger	123	144	148	149	145	144	154	148	151	
Nigeria	128	125	151	132	143	153	153	153	179	
Pakistan	110	138	180	156	162	172	189	197	205	211
Paraguay	121	147	183	148	192	183	178	180	187	182
Peru	115	126	150	132	138	147	155	160	180	
Philippines	157	164	237	190	210	233	253	253	258	
Poland	100	102	113	103	107	116	118	113	112	
Portugal	120	131	173	141	153	165	181	193	203	211
Republic of South Africa	112	129	149	136	137	143	154	161	166	168
Spain	118	133	152	141	142	148	154	162	168	173
Sri Lanka	108	122	139	131	133	135	141	147	149	150
Sweden	119	126	134	129	132	130	133	139	142	146
Thailand	107	123	157	129	143	160	162	165	161	163
Turkey	127	152	181	160	163	173	189	198	203	206
United Kingdom	121	139	164	148	156	162	165	178	189	
Uruguay	197	400	690	493	545	595	710	910	996	
Venezuela	110	117	133	121	122	122	141	147	149	151
United States	108	123	141	130	137	139	142	146	149	150
Yugoslavia	139	169	196	182	194	202	200	214	232	245
Zaire	142	165	216	177	208	218	212	224	249	269
Zambia	112	119	129	123	128	129	130	131	136	

Source: International Labor Office, Bulletin of Labor Statistics.

First Quarter Gains

U.S. agricultural exports for fiscal 1976 have gotten off to a strong start. First quarter (July-September) shipments reached a record \$4.74 billion, 6 percent above the total for the same period last year (table 5). Export volume was a steep 14 percent higher, totaling 23 million metric tons.

Significant value and volume increases were recorded for exports of wheat, soybeans, cotton, and feed grains. Exports of rice, tobacco, and oilmeal fell substantially below year-earlier levels.

During the first quarter of fiscal 1976, export unit values for U.S. farm products averaged below fiscal 1975 levels. Grain and soybean exports had the greatest unit value declines. Wheat exports were valued at \$4.22 per bushel, compared with \$4.80 during fiscal 1975. The July-September export unit value for soybeans was below \$6 per bushel, compared with \$7.30 in fiscal 1975. The export unit value for corn was \$3.28 per bushel, down from \$3.55 last year.

The leading markets for U.S. farm exports in fiscal 1975 maintained their strong demand during the first quarter of fiscal 1976. Among the fastest growing markets were the USSR, Taiwan, Brazil, and Egypt, each of which more than doubled the value of their U.S. agricultural imports from the July-September 1974 level.

Iran and Mexico, two of fiscal 1975's expansionary markets, reduced their imports of U.S. farm products to less than half the year-earlier value. The United States sent no agricultural products to the People's Republic of China (PRC) during July-September 1975, though U.S. farm exports there totaled \$227 million during July-September 1974.

Export Outlook

U.S. agricultural exports are now expected to reach nearly \$23 billion during fiscal year 1976. Shipments to the Soviet Union and Eastern Europe will show the greatest increase over fiscal 1975, and larger exports are also expected to North Africa, South Asia, Southeast and East Asia, and Japan. Lower prices from a year earlier will reduce the value of farm exports to Western Europe and Latin America. Exports to the PRC are expected to total only a few million dollars in 1976, compared with \$335 million last year.

Export volume of grains, soybeans, oilseed products, cotton and tobacco should total over 100 million metric tons in fiscal 1976, about 20 million tons above the fiscal 1975 volume and slightly above the fiscal 1974 record (figure 3). Unit values will average lower for grains, soybeans, and oilseed products. Wheat exports are expected to reach

a record high volume, and feed grain and rice exports should be near record volumes. Soybean and oilcake and meal exports will be above fiscal 1975 volume, but declines in volume of exports are expected for soybean and cottonseed oils, tobacco, and cotton.



Figure 3

Grain and Feed. The total value of grain and feed exports is expected to reach a record high in fiscal 1976 of \$13 billion. Wheat and wheat flour exports should total about 37 million tons, also a new high. Rice exports are expected to be near the fiscal 1975 record of 2.3 million tons, and feed grain exports are expected to attain the fiscal 1974 record of 43 million tons. The record-high volume estimate is largely attributable to the Soviet grain purchases on the world market.

Oilseeds and Products. The value of U.S. exports of oilseeds and products is estimated at about \$4.3 billion fiscal 1976. The \$500 million decline from last year's value is expected because reduced prices will more than offset increased export volumes of soybeans and oilcake and meal. Vegetable oil exports will be down in both value and volume.

Livestock and Livestock Products. Fiscal 1976 U.S. exports of livestock and livestock products will probably be valued at about \$1.2 billion, compared with \$1.44 billion in fiscal 1976. Decreases are expected in exports of live cattle to Canada, pork and pork offals to the United Kingdom, and tallow and greases to the European Community.

Cotton. The value of U.S. cotton exports, including linters, is expected to decline slightly in fiscal 1976 to a little more than \$1 billion. Export volume should decline by about 5 percent. U.S. cotton

Table 5. - U.S. Agricultural exports: Quantity and value, July-September 1974 & 1975

Commodity	July - September		Percent Change
	1974	1975	
-----1,000 Metric tons -----			
Wheat and products	7,332	9,435	29
Feed grains and products	7,373	8,060	9
Rice	367	289	-21
Soybeans	1,937	2,415	25
Protein meal	1,055	867	-18
Vegetable oils and waxes	309	145	-53
Tobacco	65	50	-23
Cotton	177	204	15
Other	-	-	-
Total	20,014	22,812	14
-----Million dollars-----			
Wheat and products	1,169	1,460	25
Feed grains and products	916	1,008	10
Rice	181	120	-34
Soybeans	494	532	8
Protein meal	173	143	-17
Vegetable oils & waxes	220	101	-54
Tobacco	175	162	-7
Cotton	217	244	12
Animals and products	404	366	-9
Other	518	607	17
Total	4,467	4,743	6

Source: Economic Research Service, Foreign Agricultural Trade of the United States, November 1975.

prices are above world cotton prices due to improving domestic demand and a smaller 1975/76 U.S. cotton crop. Sustained demand recovery in many importing countries remains in the future. Only a moderate upturn in world trade is expected in this season.

Tobacco. U.S. tobacco exports are expected to rise slightly in value in fiscal 1976, despite a decline in volume of about 7 percent. U.S. tobacco is

meeting increased competition from large supplies of lower-priced foreign tobacco. However, increased sales to Japan and the Mideast are helping to offset the drop in exports to Europe.

Fruits, Vegetables, and Nuts. Exports of this commodity group will total about \$1.3 billion in fiscal 1976. Major gains are expected in exports of edible tree nuts and processed fruits and juices. (*Sally E. Breedlove*)

THE WORLD FERTILIZER SITUATION AND OUTLOOK

Several important events and dramatic changes have occurred in the world fertilizer situation in the last 2 years. Lack of fertilizer supplies was partly to blame for lagging food production in the developing countries last year, while this year many of these same countries have restricted fertilizer imports. In the space of 4 to 5 years, prices of some fertilizers have increased 700 to 800 percent. From mid-1973 to mid-1974 alone, world prices of several important fertilizers tripled or quadrupled. Stimulated particularly by high grain prices, fertilizer demand was very strong. The developing countries faced particularly difficult problems. For many countries the fertilizer needed was not available in the market even at record prices. And many with limited foreign exchange resources were hit simultaneously by high prices for oil, fertilizer, and grain, all essential commodities for which they generally depend heavily on imports. Now, however, manufacturers have begun to worry about growing fertilizer inventories and falling prices.

Current Situation⁴

Preliminary data indicate that the world fertilizer situation reversed itself during 1975. In 1973 and most of 1974, the major problem was inadequate supply relative to strengthened demand. Investment was lacking after the low prices and heavy financial losses in the late 1960's. Manufacturers simply did not have the available capacity to respond to the heavy fertilizer demand resulting primarily from record high grain prices and expectations of continued fertilizer shortages. Inventories were drawn down and prices shot up, reaching record levels in August or September 1974 for most products.

⁴Supply-consumption estimates are based on forecasts presented in FAO, "Longer Term Supply/Demand Position and Elements of a World Fertilizer Policy" from the FAO Commission on Fertilizers, June 3-7, 1975, except they include USDA and U.S. Department of Commerce data for the United States in 1973/74 and 1974/75.

By late 1974, however, conditions had begun to ease after the panic and record fertilizer prices of the previous summer. Inventories began to build. In the United States, the largest producer and consumer of fertilizers, and the largest net exporter of phosphates, producer inventories at the end of June 1975 approached, and in some cases exceeded, 1972 levels (table 6). In Japan, the largest net exporter of nitrogen fertilizer, urea inventories increased by nearly 60 percent during 1974/75, while ammonium sulfate inventories nearly tripled. Potash inventories in Canada, by far the world's largest potash producer and trader, moved from roughly 14 days normal production equivalent in December 1974 to 42 days in July 1975. Stocks accumulated in the developing countries also, and several major net importers like India, Brazil, Indonesia, and the Philippines restricted imports.

Table 6—United States Producer Inventories of
Fertilizer ending June

	(days of production equivalent)			
	1972	1973	1974	1975
Total Nitrogen	34	15	13	27
Total Phosphate Products	24	15	15	33
Potash (muriate)	35	20	22	79

Source: The Fertilizer Institute, *TFI News*, August 1, 1975.

Due to widespread farmer resistance to high fertilizer prices and the foreign exchange limitations of many developing countries, estimated world consumption of fertilizer increased only about 4 percent to 89.3 million tons in 1974/75, compared with an increase of the 8 percent in 1973/74 and over 7-percent average increase for the previous 5 years. The slowing in estimated growth was relatively more for phosphate and potash than for nitrogen. One major source indicates 1974/75 world phosphate demand may have grown only 2 percent and potash only 1 percent, or dropped 4 percent for both phosphate and potash if centrally planned

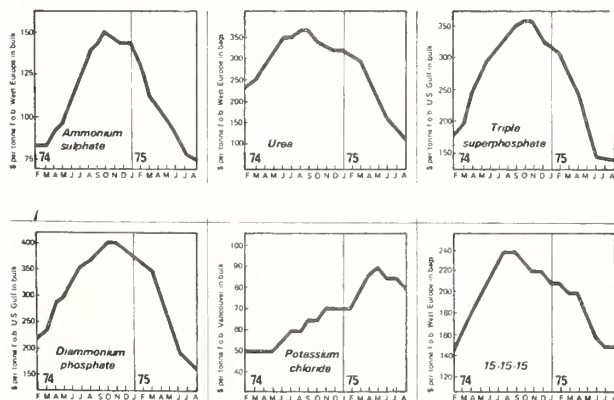
these countries lack both the internal budgetary resources to fully subsidize the high fertilizer prices, and the political ability to quickly raise grain prices to remunerative levels for the farmer.

Despite the relative setback in 1974/75, strong fertilizer consumption growth must resume if food needs are to be met, particularly in the developing countries which depend heavily on imports of both food and fertilizer. As high-priced stocks are depleted, fertilizer import demand should revive in the developing countries. Including the People's Republic of China, these countries produce less than 60 percent of the fertilizer they use and account for a large share of world fertilizer imports, almost two-thirds of world nitrogen imports, for example.

In summary, the current relative easing of the world fertilizer situation is due largely to weak fertilizer demand. Near-term demand expectations depend heavily on what happens to world grain prices, particularly with the recent large purchases by the USSR, and how rapidly large stocks of high priced fertilizer can be reduced, especially in the developing countries. Assuming relatively stable grain prices and effective policies to increase fertilizer use in the developing countries, world fertilizer consumption in 1975/76 should increase somewhat faster than 1974/75, and is estimated to reach nearly 44 million tons of nitrogen, 27 million tons of phosphate, and about 23 million tons of potash. Expected increases in capacity and supply should be sufficient to cover these levels of consumption.

While international trade prices for some products are approaching distress levels for sellers (similar to distress purchases in mid-1974), these prices can be expected to stabilize in 1975/76 if the above assumptions are met, with a slight increase over recent low levels likely. However, the balance between expected world fertilizer consumption and production is still very close, particularly for nitrogen. And it is clear after the last 2 years that relatively small changes in the fertilizer supply/demand balance can cause relatively large and rapid price changes.

RECENT INTERNATIONAL PRICE TRENDS FOR PRINCIPAL FERTILIZERS



Source: British Sulphur Corporation, *Fertilizer International*, No. 75, September, 1975, p. 5.

Figure 4

Outlook to 1980/81⁷

Current estimates of world fertilizer supply and consumption through 1980/81 indicate an increasing surplus of supply (or capacity) over consumption, on the basis of announced contracts and plans for new plants (table 7). The surplus or excess capacity situation would peak in 1978/79 for nitrogen and 1977/78 for phosphate. Due largely to the dominant position of Canada in world potash trade, and effective marketing and production controls in Canada, the potash balance appears rela-

⁵British Sulphur Corporation, *Phosphorus and Potassium*, Number 79, September/October 1975, p. 7.

⁶ It should be noted that the United States produced record crops in 1974/75, and that India will likely have record crops in 1975/76 regardless of whether fertilizer use increases, due mostly to their excellent 1975 monsoon.

⁷Projections based on FAO, "Longer Term Supply/Demand Position and Elements of a World Fertilizer Policy."

Table 7.--World Fertilizer Supply, Consumption and Balance 1973/74 estimated 1980/81
(million metric tons of nutrient)

	: Reported :			Estimated			
	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 ; 1980/81
Nitrogen - N							
Supply <u>1/</u>	39.2	42.1	44.1	47.9	52.3	56.1	59.2 62.3
Consumption <u>2/</u>	39.6	41.8	43.9	47.1	50.5	54.0	57.3 60.6
Balance	-0.4	0.3	0.2	0.8	1.8	2.1	1.9 1.7
Posphate - P ₂ O ₅							
Supply <u>1/</u>	24.6	27.3	28.9	30.8	32.2	32.8	33.1 33.3
Consumption <u>2/</u>	24.6	25.5	26.5	27.7	29.0	30.4	31.8 33.1
Balance	0.0	1.8	2.4	3.1	3.2	2.4	1.3 0.2
Potash - K ₂ O							
Supply <u>1/</u>	20.9	22.6	23.9	25.3	26.4	27.4	29.0 30.3
Consumption <u>2/</u>	21.4	22.0	23.0	24.2	25.5	26.6	28.0 29.5
Balance	0.5	0.6	0.9	1.1	1.0	0.9	1.0 0.9

1/ Supply in 1973/74 is available supply and excludes transit and handling losses and exports for further processing in North and Central America. Estimates in following years exclude losses and exports for further processing.

2/ Consumption in 1973/74 and 1974/75 based on apparent consumption in the United States to reflect the reported U.S. trade balance.

Source: 1973/74 from FAO, Monthly Bulletin of Agriculture and Statistics, April 1975 except includes for the United States USDA and U.S. Department of Commerce data. 1974/75 through 1980/81 estimates from FAO, "Longer-term Fertilizer Supply/Demand Position and Elements of a World Fertilizer Policy," AGS: F/75/7, May 1975, Second Session, Commission on Fertilizer, Rome 3-7 June 1975 based on forecasts developed by the FAO/UNIDO/World Bank Working Group on Fertilizers in April 1975, except includes 1974/75 USDA and U.S. Department of Commerce data for the United States.

tively stable up to 1980/81.⁸ With the recent formation of Phoschem, an export association of eight major American phosphate producers under the Webb-Pomerene Act, world phosphate prices may also remain fairly stable. Nitrogen prices, however, could be strongly affected by the expected surplus by 1977/78 or before.

Recent information, however, suggests the cancellation of several planned new plants and rumors of more to follow. These changes could substan-

tially alter the estimated future situation, particularly since much of the new expected capacity is in the developing countries where new plant completion has often been delayed and production targets underfulfilled. If prices continue to fall from their current depressed levels and discourage some planned investments, the excess capacity implied by these projections will very likely not materialize to the extent indicated. However, recent reports indicate that the People's Republic of China may complete construction of 13 imported large-scale ammonia-urea plants ahead of schedule. This would free more Japanese nitrogen for export to other markets sooner than expected and tend to reduce upward pressures on prices which could possibly develop in the next few years. (*Richard B. Reidinger*)

⁸The impact on future potash supplies of the Saskatchewan government's announced plans to nationalize much of the potash industry in Canada is unclear. See *Wall Street Journal*, November 13, 1975, p. 22.

TRADE AND FOOD POLICY DEVELOPMENTS

U.S. Proposal on Grain Reserves

At the September preparatory meeting of the International Wheat Council, the United States launched its proposal for an international grain reserve system. The U.S. proposed the establishment of a global reserve of 30 million tons of food grains (25 million tons of wheat and 5 million tons of rice). This reserve would be sufficient to offset over 90 percent of world production shortfalls from trend.

The responsibility for holding reserves and bearing the costs would be equitably shared among participants, taking into account the financial capability for holding reserves, the degree of production fluctuations, and the levels of trade of participants. Each participant country would be free to determine how its reserves would be maintained and what measures would be required for their acquisition and release. However, participants would have to assure their ability to fulfill their obligations under the agreement.

Internationally agreed upon guidelines would be required to assure properly coordinated action. Action to acquire or release reserve stocks would be triggered by a quantitative indicator based upon stock levels and deviations in production from the long-term production trend. It would be understood that reserves would be made available when needed and not released either prematurely or excessively.

Participants in the reserve scheme would receive assured access to supplies at market prices. Non-participants would not have the assurance of obtaining reserves held by others.

Participation in the agreement would be open to all interested governments, although special assistance probably will be needed to assist par-

ticipating developing countries in meeting their obligation to hold a portion of global reserves.

To accomplish its objectives, the reserve system will require provisions for exchange of timely and adequate information and data regarding crop prospects, supply availabilities and stocks, anticipated demand and international trade of grains.

The above U.S. proposal on grain reserves is now under active study by the International Wheat Council, together with points of view put forward by other countries. The United States is hopeful that such an agreement will be negotiated and in place by the beginning of the next crop year. (*W. Scott Steele*)

Multilateral Trade Negotiations

Trade experts from some 90 countries participating in the "Tokyo Round" of multilateral trade negotiations (MTN's) are continuing work toward their objective of expanding and liberalizing trade. As the various working groups near the end of one year's work, some are finalizing their procedural phase, while others are beginning their analytical phase. These working groups, which form the framework of the negotiating process, all held sessions this fall.

The Group on Agriculture and its three subgroups held sessions in September and October. In its September meeting, the Group discussed issues which would extend its work program, such as treatment of products not covered by the three subgroups on grain, meat, and dairy products; the linking of the work of the Agriculture Group and other MTN groups; and the handling of quantitative restrictions on products covered by the three subgroups.

Currently there is a deadlock between the United States and EC over the procedures for implementing the link of the Agriculture Group's work and that of other MTN Groups, and over the authority of Agriculture's subgroups to discuss quantitative restrictions bilaterally. The United States believes that it will not be possible to achieve tariff cuts and the elimination of nontariff barriers for agriculture unless they are negotiated as part of an overall settlement governing each type of trade barrier. In the U.S. view, to isolate agriculture in the MTN's is to run the risk that the goal of liberalization will not be achieved.

If these issues are satisfactorily resolved, the Group's work may be expanded to include: treatment of trade barriers affecting commodities other than meat, dairy, and grains; examining the agricultural implications of tariff cutting formulas; examining the applicability of standardized rules to national health and sanitary regulations concerning agricultural products; and examining the agricultural aspects of the Subsidy code.

The Meat and Dairy Subgroups, began the first phase of their work programs by initiating a step-by-step examination of trade measures and a country-by-country examination of market structures and trade practices. The measures maintained by New Zealand, Japan, Australia, Canada, Argentina, Brazil, Switzerland, the EC, and the United States on beef, veal, and live animals were examined and analyzed in the Meat Subgroup. Health and sanitary regulations also figured in the Meat Subgroup discussions. Measures, including methods for income protection and support, maintained by Switzerland, Australia, New Zealand, Argentina, Japan, Canada, South Africa, Finland, Norway, Sweden, the EC and U.S. were discussed in the Dairy Subgroup. Both Subgroups plan to continue with and conclude their analyses of trade and market characteristics in their next meeting early in 1976.

The Grains Subgroup's session was devoted to discussions of countries' statements and proposals on price stabilization, trade liberalization, and preferential treatment to developing countries in the grains sector. In January, the Subgroup will continue its discussions when it will undertake a country-by-country examination in the grains sector.

The Tropical Products Group met in October and set on March 1, 1976 as the date for presentation of initial offers by developed countries on tropical products request lists submitted by some 33 developing countries. The United States began bilateral consultations on tropical products in late November. These consultations concern preliminary substantive responses to requests and will continue up to March 1. The group will meet again February 10 to discuss how offers by developed countries will be presented.

A number of other groups of interest to agriculture met in October or November. The groups on standards and subsidies are attempting to develop guidelines for countries to follow in these areas. The group on customs matters is considering problems relating to customs valuation, import documentation (including consular formalities), customs, procedures, and customs nomenclature. The group on tariffs in attempting to develop a formula or formulae which will be most appropriate for equitably reducing duties, and the group on quantitative restrictions (QR's) has been seeking information on the various QR's maintained by the participating countries. The group on safeguards is reviewing techniques and mechanisms to limit or contain any large influx of imports which might have a severe adverse impact on the domestic industry of an importing country. The main forum of the MTN, The Trade Negotiating Committee, will convene in December to review the progress in the various bodies and to plan work for the coming months.

U.S. Generalized Preference System

President Ford signed an Executive Order to implement the generalized system of preferences, authorized under the 1974 Trade Act on November 24, 1975. Approximately 137 countries and territories have been designated as beneficiaries for the tariff preferences and more than 2,700 products, including 300 agricultural commodities, will be made duty-free under the system. U.S. imports of the agricultural commodities eligible for the preferences amounted to \$3.5 billion in 1974. Although most countries regarded as developing countries are qualified for preferences, 18 countries including the 13 members of OPEC remain ineligible. Romania and Yugoslavia are the only two Communist countries which will receive preferences.

The Trade Act provides that a country exporting an eligible product which exceeds \$25 million or 50 percent of the total U.S. imports of that product in a calendar year will become ineligible for duty-free treatment of that product. Each subsequent year after 1975, the \$25 million ceiling will increase or decrease by the same percentage as the U.S. gross national product increased or decreased over the base year, 1974. In this way, the dollar ceiling will reflect both price changes and real growth in the U.S. economy.

The Trade Act also lists the provisions when neither the \$25-million ceiling nor the 50 percent of U.S. imports limitation will be applied and the procedures and criteria for determining which product may be eligible for duty-free treatment. The Act authorizes the President to grant generalized preferences for 10 years and required him to submit a re-

port to Congress on the operation of the system within 5 years. (Barbara S. Blair)

U.S.-USSR Trade Agreement

The United States has taken steps to stabilize our trade with the Soviet Union and to remove some of the uncertainty about the size of Soviet purchases each year. In recently concluded negotiations, the Soviets have agreed to buy 6 million metric tons of grain annually in the United States

during 1976-81, beginning in October each year. It may buy up to an additional 2 million tons each year provided that our grain supply (carry-in stocks plus estimated production) exceeds 225 million tons. Larger sales to the Soviets may be negotiated with advance governmental consultations. The 225-million-ton figure represents a safeguard for our livestock producers and consumers; if our supply is less than this amount, we may reduce sales to the Soviets below 6 million tons. Also, we have agreed that the Soviets may buy, without consultations, up to 7 million tons additional grain from our crops this year. (W. Scott Steele)

WORLD GRAIN SITUATION CONTINUES TIGHT

The analysis in this section was prepared before announcement of the revised estimates of Soviet grain production which are reported on page 11. The data and tables contained in this section have been updated to reflect those changes, but it has been possible to make only minor changes in the text.

With the bulk of the 1975/76 grain crop harvested, world wheat, milled rice and major coarse grain production is estimated at 1,151 million tons—7 million tons or less than 1 percent above last year's level (table 8 and figure 5). This, 1,172-million-ton level, however, is 59 million tons below the 1960/61-1974/75 production trend and some 76 million tons below early summer estimates.

Deterioration in this year's grain crop from earlier spring and summer reports is due largely to reductions in wheat and coarse grain production estimates made as late summer and fall harvesting progressed. Improved rice prospects are expected to offset only a fraction of these reductions in estimated wheat and coarse grain production. The convention used to aggregate data for crops produced during the

Table 8—World grain production deviation from 1960/61-1974/75 linear trend¹

World Total	Actual	Trend	Deviation
Million metric tons			
1960/61-62/63	810	803	7
1969/70-71/72	1,069	1,066	3
1972/73	1,102	1,124	-22
1973/74	1,195	1,152	43
1974/75	1,144	1,181	-37
1975/76	1,151	1,210	-59

¹Wheat, milled rice and major coarse grains (corn, barley, rye, oats and sorghum).

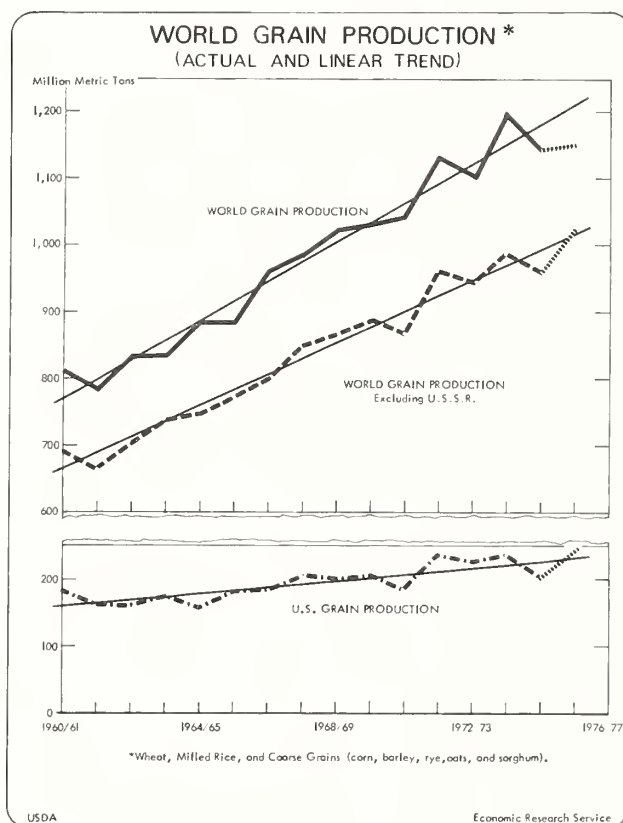


Figure 5

different growing seasons in the northern and southern hemispheres into a world production-consumption year is depicted in figures 6-9.

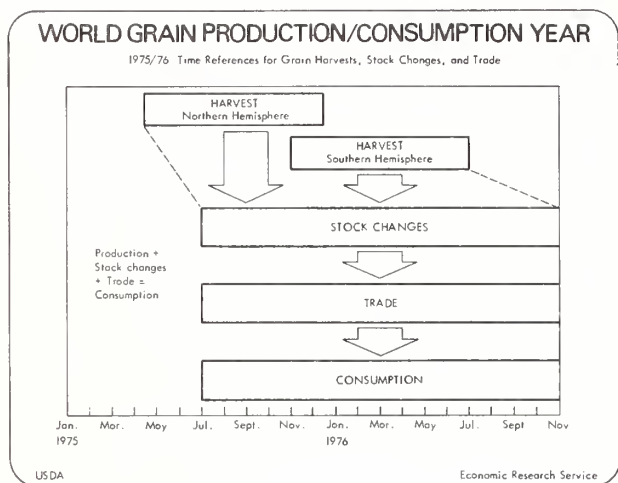


Figure 6

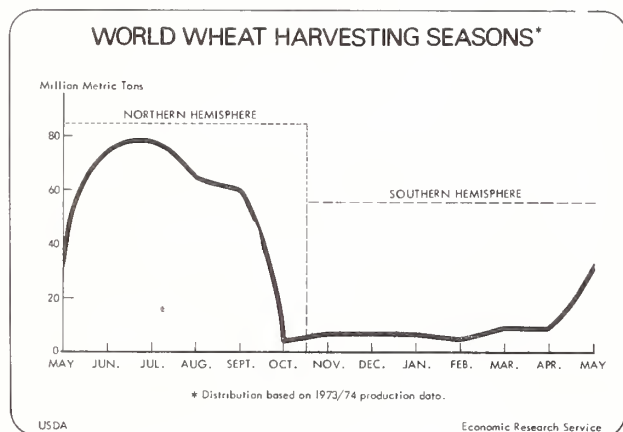


Figure 7

Mixed Results from Weather

With area harvest at a record high 656 million hectares, this year's disappointing crop is due to poor weather in most of Europe and in much of the Soviet Union. This year's world composite grain yield is expected to be 1.75 tons per hectare or only slightly below last year's recent low of 1.77 tons per hectare and substantially below the record 1973/74 level of 1.88 tons per hectare.

Poor weather will likely reduce grain production in the Soviet Union, Eastern Europe, and Western Europe 54 million tons or 30 percent, 4 million tons or

5 percent, and 10 million tons or 7 percent, respectively, from their 1974/75 levels (table 9). More favorable weather in the United States, the People's Republic of China, and virtually all the developing countries boosted grain crops 45 million tons or 22 percent, 4 million or 2 percent, and 20 million tons or 7 percent, respectively, from their 1974/75 levels.

Production outside the Soviet Union, which has accounted for over two-thirds of the fluctuations in world production over the last 4 years, is expected to be 1,023 million tons or 63 million tons above the 1974/75 level and about 7 million tons above this year's trend level (figure 5 and table 10).

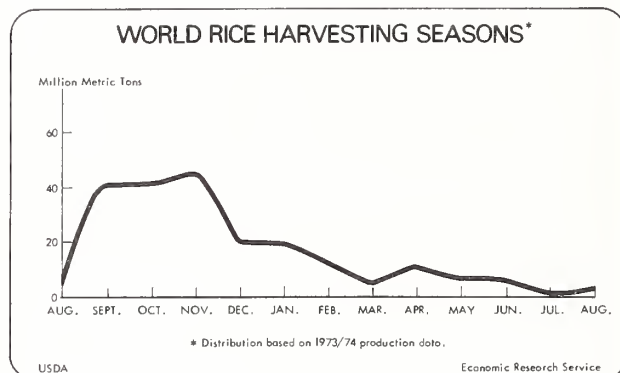


Figure 8

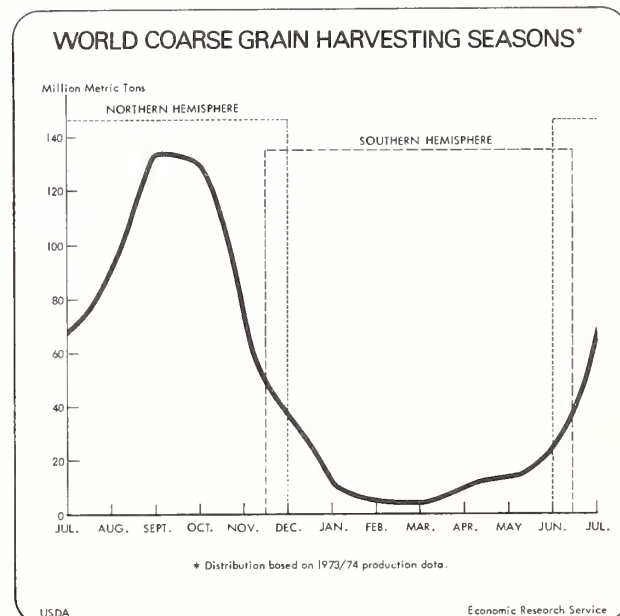


Figure 9

Table 9--World grain production, consumption and net exports 1/

	1969/70-71/72			1973/74			1974/75			1975/76		
	Production	Consumption	Net exports	Production	Consumption	Net exports	Production	Consumption	Net exports	Production	Consumption	Net exports
Developed	314,731	299,593	19,906	399,218	374,538	30,336	448,557	398,979	360,997	55,344	454,767	376,567
United States	168,242	139,667	32,756	208,733	169,004	39,776	236,055	177,986	72,875	72,875	243,153	154,695
Canada	22,870	14,222	9,700	32,394	20,143	14,844	34,889	21,109	12,892	12,892	28,981	15,436
EC-9	70,198	90,870	-21,658	93,177	110,752	-16,958	105,528	117,046	115,089	-11,436	98,433	115,551
Other Western Europe	20,176	24,493	-4,374	28,661	33,511	-4,955	29,239	37,941	-7,242	33,650	33,784	40,907
South Africa	1,984	4,710	-2,198	6,667	6,880	1,305	13,750	7,970	4,002	11,819	8,481	3,431
Japan	15,535	20,794	-5,357	12,684	28,011	-14,415	11,534	30,281	-19,224	11,702	12,258	31,084
Australia/New Zealand	10,726	4,837	6,641	14,902	6,237	10,739	17,562	6,646	9,482	16,818	16,731	6,507
Centrally Planned	275,628	278,671	-3,061	375,264	391,239	-6,678	437,807	442,061	443,625	-12,987	368,393	412,438
Eastern Europe	56,763	63,466	-6,721	73,749	81,538	-7,475	85,599	90,752	86,186	-8,312	84,643	95,543
U.S.S.R.	123,348	116,049	7,299	164,969	170,036	3,929	207,466	200,769	191,149	-280	128,300	158,350
Peoples Republic of China	95,517	99,156	-3,639	136,546	139,665	-3,132	144,742	150,540	151,895	-4,395	155,450	158,545
Developing	213,318	224,344	-12,034	288,836	302,239	-22,221	303,907	333,193	339,456	-39,164	320,949	352,024
Mexico and Central America	9,623	10,444	-950	15,801	17,003	-831	16,175	19,271	20,069	-4,998	17,271	21,159
Venezuela	514	893	-386	834	1,765	-952	641	2,008	2,298	-1,471	691	2,453
Brazil	13,970	15,923	-1,919	19,894	17,038	-765	22,600	24,217	25,182	-1,605	25,324	25,754
Argentina	13,043	8,136	5,185	19,289	11,117	4,770	23,740	12,329	12,267	7,605	24,348	12,083
Other South America	5,651	6,812	-1,142	6,974	9,105	-2,107	7,028	10,248	10,085	-2,653	7,882	10,422
North Africa/Middle East	31,597	36,883	-5,532	49,286	49,286	-9,168	52,387	52,387	56,652	-16,366	41,560	57,067
Central Africa	13,155	14,029	-871	15,849	17,761	-1,914	15,133	17,445	17,863	-2,025	16,313	18,644
East Africa	5,344	5,191	152	7,138	7,041	-13	7,786	7,469	7,934	-581	7,153	7,741
South Asia	82,456	87,688	-6,117	108,235	113,900	-6,084	117,644	125,276	121,518	-9,564	118,509	128,682
Southeast Asia	16,696	12,785	3,938	22,879	19,640	3,242	22,681	19,712	21,315	2,926	23,653	22,145
East Asia	21,269	25,560	-4,392	30,507	38,583	-8,399	33,251	42,831	44,263	-10,462	36,040	45,674
Rest of World	4,789	5,733	-944	5,232	5,671	-402	5,195	5,778	5,955	-8170	6,195	8,280
Total Above	508,455	508,455	0	1,065,550	1,073,657	-802	1,195,466	1,180,011	1,152,248	-2,215	1,150,304	1,147,339
World Total 2/	508,455	508,455	0	1,065,550	1,073,657	-802	1,195,466	1,180,011	1,152,248	-2,215	1,150,304	1,147,339
1/ Wheat, rice (milled basis), and five major coarse grains (barley, corn, oats, rye, and sorghum).												
2/ World totals taken from the Foreign Agricultural Service's Foreign Agricultural Circular on Grains. Regional totals may not sum to totals due to variations in country and commodity coverage and rounding. Regional country composition follows:												
I. Developed												
Other Western Europe (Austria, Finland, Greece, Iceland, Malta, Norway, Portugal, Spain, Sweden, Switzerland).												
South Africa (Republic of South Africa, Botswana, Lesotho, Namibia, Swaziland).												
Centrally Planned												
East Europe (Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Yugoslavia).												
Less Developed												
East Asia												
a. Indonesia												
b. High Income East Asia (Hong Kong, Singapore, South Korea, Taiwan, Brunei).												
c. Low Income East Asia (Philippines, Malaysia).												
South East Asia												
a. Thailand												
b. Other South East Asia (Burma, Khmer, Laos, South Vietnam).												
South Asia												
a. India												
b. Other South Asia (Afghanistan, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka).												
North Africa/Middle East												
a. High Income (Algeria, Bahrain, Cyprus, Iran, Iraq, Israel, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates)												
b. Low Income (Egypt, Jordan, Lebanon, Morocco, Sudan, Syria, Tunisia, Turkey, Yemen (Aden), Yemen (Sana'a), Yemen (Sana'a))												
Central Africa (Angola, Burundi, Cameroon, Central Africa, Chad, Congo, DRC, Gabon, Guinea, Guinea, Ivory Coast, Liberia, Mali, Mauritania, Mauritius, Niger, Nigeria, Reunion, Rwanda, Senegal, Sierra Leone, Somalia, Spanish Sahara, Togo, Upper Volta, Zaïre).												
East Africa (Kenya, Uganda, Tanzania, Zambia, Rhodesia, Malawi, Mozambique).												
Other South America (Bolivia, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay).												

Table 10—World grain production deviations from 1960/61-1974/75 linear trend excluding the USSR¹

World Total	Actual	Trend	Deviations
<i>Million metric tons</i>			
1960/61-62/63	686	688	-2
1969/70-71/72	904	899	5
1972/73	945	947	-2
1973/74	987	970	17
1974/75	960	993	-33
1975/76	1,023	1,016	7

¹ Wheat, milled rice, and major coarse grains (corn, barley, rye, oats, and sorghum).

Market Adjustments

The high prices, short supplies, and market volatility that continue to characterize the world grain situation, despite some improvement in availabilities, are due not so much to this year's production deviation or low stocks as to the substantially wider deviation between production and trend consumption levels. As figure 10 and table 11 indicate, world grain consumption has tended to increase about 30 million tons per year since 1960/61, while production has tended to increase less than 29 million tons per year. The margin between the two has been sustained largely by a drawdown of stocks whose initial accumulation dates back into the 1950's. A grain crop on trend at 1,210 million tons would still have left a 13-million-ton margin between trend production and trend consumption. Given current crop estimates of 1,151 million tons, the gap between trend consumption and actual production widens to roughly 72 million tons.

The major elements of this consumption trend have been strong enough—or price inelastic enough—to generate the large trade and price fluctuations of the last 4 years. Given the current supply situation, these fluctuations are likely to continue through the rest of this marketing year, or at least until some indication of the size and distribution of the 1976/77 crop is available.

The strongest of these growth elements is the food component. Simply maintaining per capita food

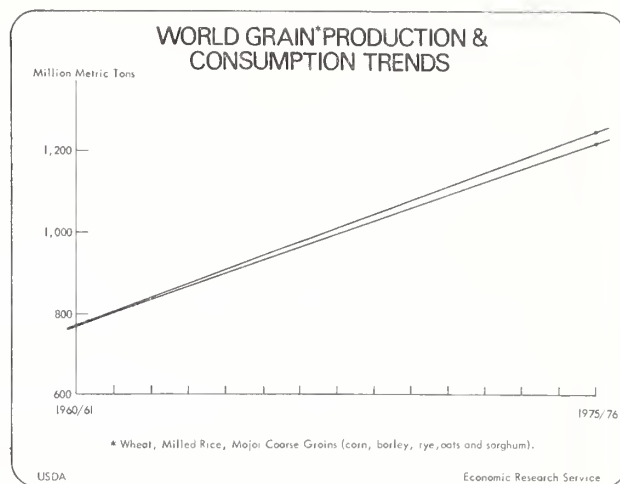


Figure 10

grain consumption levels in the developed world, with little or no increased demand from income growth would raise demand over 1 million tons annually. Maintaining per capita food consumption in the developing countries, even if their positive income elasticities of demand are ignored, would add an additional 8 to 9 million tons per year. Growth in these food components is not likely to slacken nor is either component likely to be price responsive, given the high income levels in the developed countries and the low consumption levels in the developing countries.

The second component of this consumption trend, feed demand, has grown appreciably faster and has proven to be more price elastic than food demand. The amount of world grain fed to livestock has grown at a rate of 4.7 percent per year since 1960/61. Roughly one quarter of the 408 million tons of grain currently fed is concentrated in the United States where growth has averaged about 2 percent per year. Grain feeding outside the United States—primarily in the other developed countries, Eastern Europe, and the Soviet Union—has grown at a rate of 6 percent per year. Simply maintaining trend growth in world feed consumption adds 16-18 million tons to total world grain demand each year.

Adjustments to this year's 72-million-ton shortfall between actual production and trend consumption are likely to be concentrated in feeding with little change in per capita food consumption levels. Excellent wheat and coarse grain crops and encouraging preliminary rice reports indicate that per capita production levels in the developing countries will be at or near their 1969/70-71/72 high. If imports already delivered or enroute, contracts negotiated to date, and less formal commitments are added to the estimated production total, per capita consumption in the developing countries is likely to be 176 kilograms or at about the 1973/74 record. Raising consumption in the developing

Table 11—World grain consumption linear trend and actual production differences

World Total	Consumption Trend	Actual Production	Difference
<i>Million metric tons</i>			
1960/61-62	805	810	-2
1969/70-71/72	1,073	1,069	-9
1972/73	1,133	1,102	-31
1973/74	1,163	1,195	32
1974/75	1,193	1,144	-49
1975/76	1,223	1,151	-72

countries to the 1975/76 trend level of 180 kilograms per capita, however, is virtually impossible. Developed country food use is expected to remain at about the same 174-kilogram level as in 1974/75. Little or no change is also expected in per capita food consumption in the Centrally Planned countries.

Feed usage is expected to lag at about 387 million tons, or well below the 1973/74 peak of 432 million tons, and some 66 million tons below 1960/61-1974/75 trend. Some recovery is expected in this year's feeding levels from the cutbacks of 1974/75 in a number of the market economies due to improvements in livestock-feed price ratios. As table 12 indicates, ratios for the United States, Japan, Germany, Italy and Canada have all improved sharply over the last 3 quarters. However, ratios still remain below the favorable levels of 1972/73 and 1973/74 necessary to generate trend level feed demand. Feeding in the United States is expected to account for a large part of any growth in 1975/76 over last year. Usage in most Western European countries is expected to continue increasing at or slightly below trend rates. Reduced feeding in the USSR and to a lesser extent, Eastern Europe is expected to more than compensate for any possible increase in the developed countries.

World grain trade prices and trade flows are likely to continue near 1974/75 levels. World imports of wheat, milled rice, and the major coarse grains are likely to total 150 to 155 million tons due largely to the geographic concentration of this year's shortfalls. The poor grain crops in Eastern Europe and Western Europe are expected to be translated directly into import demand rather than halved first by sizable cutbacks in consumption as would be likely in the developing countries.

Cutbacks in consumption in the Soviet Union are likely, however, due to the sheer magnitude of this year's drop in production. The USSR's import demand is not expected to exceed the 30 million tons estimated earlier for the 15-month period ending September 30, 1976 despite recently announced further reductions in Soviet grain production estimates.

Trade prices are also likely to remain high reflecting strong import demand from traditional buyers as well as the Soviet Union. U.S. wheat export prices are expected to soften somewhat through the remainder of the 1975/76 marketing year, but should remain within \$15 to \$20 of the 1974/75 f.o.b. Gulf level of \$162 per metric ton for HRW #1 ordinary. Corn export prices are also expected to fall as much as \$15 below the 1974/75 f.o.b. Gulf level of \$128 per metric ton for #2. Rice export prices are likely to average up to \$175 less than the average \$540 per metric ton quoted for Thai 5 percent broken, f.o.b. Bangkok for 1974/75.

Despite a 7- to 8-million-ton increase in stocks held by the United States, wheat and coarse grain stocks

are not likely to increase for the world as a whole. Drawdowns in Europe of over 5 million tons and of 4 to 7 million tons in the Soviet Union are expected to cancel out any improvement in the U.S. stock situation and reduce world stock levels by at least 3 million tons to a new 20-year low of 100 million tons (table 13). Some limited rebuilding of rice stocks is possible in 1975/76 with the exception of India. Indian rice stocks are expected to be drawn down another 0.7 million tons in 1975/76 as the anticipated 4-million-ton increase in this year's crop will leave India with about the same output as 2 years ago, but with 26 million more people to feed.

World Wheat

World wheat production is currently estimated at 339 million tons, or below both the 1974/75 level and the 374-million trend value (tables 14 and 15). Sharp drops in Soviet production (down 19 million tons) and total European production (down 11 million tons) were largely compensated for by increases in Canada (up 4 million tons), the United States (up 9 million tons), and most of the developing countries. World production, excluding the Soviet Union, is expected to be 274 million tons, or above trend for the fourth consecutive year (table 14).

Due largely to continued feeding of less than 40 million tons of soft or utility wheat—compared with a 1971/72 high of 70 million tons—total world consumption of wheat is estimated at 345 million tons, compared with a 1973/74 peak of 361 million tons. World wheat stocks would have to fall roughly 6 million tons, to a level of 49 million tons, if the 345-million-ton consumption level is to be reached. Bumper crops in North America will allow some improvement in U.S. stocks, and will limit drawdowns in Canadian stocks to less than 1 million tons. The combined exports of these two shippers could be about 50 million tons due to the buoyant

Table 14—World wheat production deviations from 1960/61-1974/75 linear trend

World Total	Actual	Trend	Deviation
<i>Million metric tons</i>			
1960/61-62/63	241	240	1
1969/70-71/72	323	326	-3
1972/73	339	346	-7
1973/74	369	355	14
1974/75	350	365	-15
1975/76	339	374	-35
World total excluding the USSR	Actual	Trend	Deviation
1960/61-62/63	174	175	-1
1969/70-71/72	230	237	-7
1972/73	254	251	3
1973/74	259	258	1
1974/75	267	265	2
1975/76	274	271	3

Table 12--Livestock:Feed Price Ratios, Selected Countries 1/

	:	:	:	:	:					
	:	U.S.	:	Japan	:	Germany	:	Canada	:	Italy
	:	:	:	:	:	:	:	:	:	:
	:	<u>1970=100</u>								
	:									
1968	:	.95		1.12		---		.90		---
1969	:	1.04		1.12		.97		1.02		---
1970	:	1.00		1.00		1.00		1.00		1.00
1971	:	.94		1.08		.90		.99		1.06
1972	:	1.08		1.22		.98		1.01		1.09
I	:	1.08		1.12		.96		1.00		1.07
II	:	1.07		1.17		.90		1.02		1.05
III	:	1.10		1.20		1.02		1.04		1.10
IV	:	1.05		1.28		1.06		1.00		1.15
1973	:	.94		1.10		1.13		.92		.99
I	:	1.01		1.26		1.07		1.02		1.06
II	:	.94		1.20		1.07		.97		.99
III	:	.90		1.00		1.21		.87		.95
IV	:	.90		1.00		1.22		.84		.96
1974	:	.74		.98		.91		.81		.90
I	:	.86		.96		1.03		.80		.89
II	:	.78		.92		.82		.82		.92
III	:	.69		1.02		.87		.84		.93
IV	:	.64		1.01		.89		.77		.89
1975	:									
I	:	.69		.97		.88		.74		.97
II	:	.79		1.06		.90		.85		1.00
III	:	.85		1.15		.98		n.a.		n.a.
October	:	.88		n.a.		n.a.		n.a.		n.a.
	:									

1/ Ratio of livestock prices received to feed prices paid.

Source: USDA/ERS/FDCD

Table 13--World wheat and coarse grain beginning stocks 1/

	1960/61- 1962/63	1969/70- 1971/72	1972/73	1973/ 74	1974/ 75	1975/76	1976/77
	Million metric tons						
Wheat							
World wheat stocks,	72	91	73	52	57	55	49
-Share of world wheat consumption	30%	27%	20%	14%	16%	16%	---
Wheat stocks held by the major exporters <u>2/</u>	54	53	41	23	19	19	19
-Share of world wheat consumption	22%	16%	11%	6%	6%	5%	---
-Share of major exporters wheat consumption	206%	156%	119%	68%	60%	58%	---
U.S. wheat stocks	37	22	23	12	7	9	11
-Share of world wheat consumption	15%	7%	7%	3%	2%	3%	---
-Share U.S. wheat consumption	22%	105%	95%	58%	34%	44%	---
Coarse grain <u>3/</u>							
World coarse grain stocks	91	71	75	56	54	49	51.0
-Share of world coarse grain consumption	22%	13%	13%	9%	9%	8%	---
Coarse grain stocks held by the major exporters	74	48	53	37	28	22	27
-Share of world grain consumption	18%	9%	9%	6%	5%	4%	---
-Share of major exporters consumption	54%	29%	29%	20%	19%	14%	---
U.S. coarse grain stocks	70	40	45	30	21	15	21
-Share of world coarse grain consumption	17%	7%	8%	5%	4%	2%	---
-Share of U.S. coarse grain consumption	57%	27%	28%	19%	17%	11%	---
World wheat and coarse grain stocks	163	162	148	108	111	103	100
-Share of world wheat and coarse grain consumption	25%	19%	16%	11%	12%	11%	---
Wheat and coarse grain stocks of the major exporters	128	101	94	60	47	41	46
-Share of world wheat and coarse grain consumption	20%	12%	10%	6%	5%	4%	---
-Share of major exporters consumption	77%	50%	43%	28%	27%	21%	---
U.S. wheat and coarse grain stocks	107	62	68	42	28	24	32
-Share of world wheat and coarse grain consumption	17%	7%	7%	4%	3%	3%	---
-Share of U.S. consumption	77%	37%	38%	24%	20%	16%	---

1/ Stocks data are based on an aggregate of differing local marketing years and should not be construed as representing world stock levels at a fixed point in time. Stocks data are only for selected countries and exclude such important countries as the USSR, the People's Republic of China, and part of Eastern Europe for which stocks data are not available; the aggregate stocks level have, however, been adjusted for estimated year-to-year changes in USSR grain stocks.

2/ U.S., Canada, Australia and Argentina.

3/ Includes barley, corn, oats, rye and grain sorghum.

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Table 15 World wheat production, consumption, and net exports
(Thousand metric tons)

	1960/61-1962/63		1969/70-1971/72		1973/74		1974/75		1975/76						
	Production	Net Exports	Production	Net Exports	Production	Net Exports	Production	Net Exports	Production	Net Exports					
	Consumption		Consumption		Consumption		Consumption		Consumption						
Developed	94,068	74,215	21,204	111,789	87,576	28,505	127,864	86,270	43,340	131,455	85,051	137,377	86,458	53,774	
United States	33,375	16,306	18,142	40,025	21,903	17,701	46,407	20,646	30,959	45,797	15,028	56,187	19,704	36,442	
Canada	12,405	3,966	9,454	13,901	4,671	11,661	16,458	4,492	11,414	13,255	4,835	17,000	4,841	13,200	
EC-9	29,647	35,870	-7,190	26,644	40,673	-3,646	41,391	40,139	-140	45,225	-6,939	38,577	40,237	1,291	
Other Western Europe	8,463	10,539	-2,065	9,885	10,763	-777	9,385	9,962	-871	11,258	10,742	161	10,664	61	
South Africa	782	914	-133	1,461	1,310	-59	1,871	1,561	+422	1,596	2,650	45	1,550	1,702	
Japan	1,648	4,247	-2,683	5,57	5,253	-4,696	2,202	5,585	-5,323	232	3,567	241	5,749	-5,650	
Australia/New Zealand	7,748	2,373	5,679	9,316	3,003	8,321	12,120	3,885	6,879	11,452	3,559	8,703	5,749	5,430	
Centrally Planned	103,585	108,194	-4,288	146,901	158,439	-3,678	171,414	171,570	-9,235	149,145	152,366	-7,611	125,365	148,370	-20,490
Eastern Europe	17,231	23,012	-5,460	26,260	31,016	-4,563	31,480	35,550	-4,149	34,036	36,122	-3,315	29,165	34,675	-3,995
U.S.S.R.	67,187	62,175	5,012	92,804	95,671	4,800	109,784	100,230	554	83,849	89,349	1,561	65,000	79,500	-13,500
People's Republic of China	19,167	23,007	-3,840	27,837	31,752	-3,915	30,150	35,790	-5,640	31,200	36,895	-5,655	31,200	34,195	-2,935
Developing	43,368	57,517	-14,713	65,472	84,530	-25,235	68,865	99,740	-29,066	66,981	93,656	-32,703	75,022	105,737	-30,493
East Asia	313	2,068	-1,770	351	4,358	-4,128	163	4,341	-4,652	136	4,496	-4,473	150	4,449	-4,425
Indonesia	--	112	-112	--	511	-542	--	819	-1,156	--	378	-1,067	--	690	-1,000
South East Asia	13	201	-189	34	423	-390	24	283	-259	40	368	-308	40	427	-407
Thailand	--	33	-33	--	69	-71	--	93	-93	--	81	-61	--	63	-105
South Asia	17,490	22,112	-5,109	30,446	34,048	-4,751	36,049	44,765	-6,688	32,862	42,105	-5,962	36,525	45,945	-9,450
India	11,130	14,311	-3,581	20,359	22,436	-2,611	24,735	30,178	-3,243	22,072	27,402	-5,030	25,000	31,050	-5,500
North Africa/Middle East	15,647	20,329	-4,910	22,297	28,238	-7,919	19,658	30,901	-9,954	22,162	32,311	-12,156	22,364	33,493	-11,254
High Income	5,045	6,532	-1,458	6,529	9,028	-2,435	6,469	10,280	-3,780	6,783	10,786	-5,456	6,515	11,473	-4,575
Central Africa	669	1,100	-428	862	2,006	-1,148	867	2,156	-1,264	810	2,121	-1,252	899	2,309	-1,428
East Africa	113	149	-40	251	274	-4	199	309	-115	300	713	-456	298	736	-415
Mexico/Central America	1,375	1,886	-554	2,060	2,906	-809	2,039	3,563	-1,596	2,231	3,704	-1,529	2,696	4,025	-1,343
Venezuela	1	311	-310	1	708	-707	1	634	-598	1	666	-632	1	701	-700
Brazil	655	2,819	-2,164	1,358	3,375	-1,897	1,928	4,450	-2,810	2,820	4,600	-2,200	2,500	5,150	-2,500
Argentina	5,208	3,569	1,869	5,873	4,393	-1,640	6,560	4,255	1,548	5,750	4,400	1,500	7,700	4,426	3,650
Other South America	1,884	2,953	-1,088	1,939	3,801	-1,842	1,377	4,083	-2,678	1,769	3,382	-2,230	1,899	4,076	-2,215
Rest of World	214	825	-611	316	2,165	-1,849	370	2,488	-2,118	370	2,015	-1,645	370	2,015	-1,645
Total Above	241,235	240,751	--	324,478	332,710	--	368,513	360,068	--	350,251	349,897	--	338,204	342,580	--
World Total	241.2	240.8	--	324.5	332.7	--	368.5	360.7	--	350.3	352.0	--	339.0	344.5	--

demand of traditional buyers as well as the Soviet Union. Stocks are also likely to be drawn down in Western Europe, primarily for feed use, and, to a lesser extent, in the Soviet Union.

World Coarse Grain

World coarse grain production is currently estimated at 591 million tons, 9 million tons above last year level, but 28 million tons below the 1973/74 record and the 1975/76 trend level (tables 16 and 17). This year's disappointing crop—given record area planted and promising early summer production estimates—is due largely to reductions in the Soviet Union where production is expected to be 62 million tons, compared with 97 million tons in 1974/75. A 35-million-ton recovery in U.S. coarse grain production combined with good crops in the most of the world—except parts of Europe, West Asia and East Africa—are expected to raise world coarse grain production outside the Soviet Union to 518 million tons, or 44 million tons above last year's level, and to within 2 million tons of the 1960/61-1974/75 trend.

Table 16—World coarse grain production deviation from 1960/61-74/75 linear trend

World Total	Actual	Trend	Deviation
<i>Million metric tons</i>			
1960/61-62/63	410	402	8
1969/70-71/72	539	534	5
1972/73	559	564	-5
1973/74	608	578	30
1974/75	571	593	-22
1975/76	580	608	-28
World Total excluding the USSR	Actual	Trend	Deviation
1960/61-62/63	354	353	1
1969/70-71/72	467	460	7
1972/73	489	484	5
1973/74	511	496	15
1974/75	474	508	-34
1975/76	578	520	-2

World coarse grain consumption is expected to be roughly 578 million tons, or low enough to allow some buildup in world stocks. Feed usage is expected to increase 7 million tons from last year's recent low, but to remain about 31 million tons below the 1973/74 peak of 377 million tons. Stock buildups in the United States of 6 to 8 million tons are expected to more than compensate for draw-downs in the other major exporting countries faced

with large export commitments, in the major European importing countries, and in the Soviet Union faced with reduced availabilities at home.

World Rice

Due to continued favorable monsoon and post-monsoon weather in most of Asia, world rice production is expected to reach a record level of 232 million tons on a milled basis, or roughly 4 million tons above trend (tables 18 and 19). China's rice production is expected to exceed last season's all-time high of 80 million tons by about 2 percent, while South Asia's rice crop should be about 7 percent higher than last year's poor crop. East Asia's rice crop is likely to increase at least 4 percent, while the Southeast Asian crop is estimated to be about 5 percent higher than last year. This will be due largely to record Thai crops and increases in Indochina as postwar recovery progresses.

Table 18—World rice production deviation from 1960/61-1974/75 linear trend

World Total	Actual	Trend	Deviation
<i>Million metric tons</i>			
1960/61-62/73	157	161	-4
1969/70-71/72	208	204	+4
1972/73	204	214	-10
1973/74	220	219	+1
1974/75	223	223	0
1975/76	232	228	+4

For all of Asia, 1975/76 production is estimated at about 210 million tons or some 4 percent above last year. World consumption is tentatively estimated at 233 million tons, or some 8 million tons higher than in 1974/75.

Rice import demand will likely decline in Asia, leading to a fall in overall world import demand below last year's 7.6-million-ton level. Any larger decrease in trade is unlikely, given record export availabilities in the United States, China, and Southeast Asia, and their likely softening effect on trade prices. The tight world wheat and coarse grain supply situation is also likely to make rice a relatively more attractive food grain import. Imports by the OPEC countries as well as more generalized importing to rebuild currently low rice stocks are also likely to keep world rice trade above the 7-million-ton level. (*Patrick M. O'Brien*)

Table 17 - World coarse grain production, consumption and net trade 1/

	1960/61-62/63			1969/70-71/72			1973/74			1974/75			1975/76		
	Production	Consumption	Net trade	Production	Consumption	Net trade	Production	Consumption	Net trade	Production	Consumption	Net trade	Production	Consumption	Net trade
	Thousand metric tons			Thousand metric tons			Thousand metric tons			Thousand metric tons			Thousand metric tons		
Developed	206,070	210,706	-1,669	271,848	272,477	-272	305,087	298,938	12,406	265,939	261,247	6,496	300,028	275,561	20,815
United States	133,000	122,516	13,592	165,830	145,787	20,356	186,575	156,125	40,270	150,573	121,714	34,785	185,700	133,613	45,300
Canada	10,465	10,225	277	18,493	13,412	3,243	18,431	16,558	1,537	15,686	14,181	2,113	17,327	14,746	2,813
EC-9	39,967	54,216	-14,268	53,872	69,329	-13,223	63,358	76,036	-13,103	62,123	73,679	-13,560	59,126	74,594	-13,275
Other Western Europe	11,274	13,350	-2,144	18,326	22,231	-4,111	19,428	27,491	-8,294	21,972	29,119	-7,673	22,855	29,753	-6,707
South Africa	6,201	3,744	2,382	7,205	5,493	1,440	11,869	6,314	3,665	10,213	6,731	3,730	9,655	6,374	3,521
Japan	2,274	4,681	-2,421	727	11,052	-10,265	13,770	14,111	-284	13,308	13,116	217	13,624	13,205	-13,205
Australia/New Zealand	2,889	1,974	913	5,395	3,173	2,288	5,150	2,644	2,442	5,073	2,515	2,417	5,148	2,847	2,368
Centrally Planned	119,956	118,885	728	155,491	160,231	-3,303	188,298	194,003	-8,654	192,103	201,281	-6,998	159,968	181,228	-18,339
Eastern Europe	39,442	40,116	-1,013	47,342	50,119	-2,656	53,977	54,817	-789	54,830	59,678	-4,668	55,318	60,478	-5,439
U.S.S.R.	56,002	53,539	2,463	71,334	73,216	-553	96,535	99,342	-5,807	96,778	100,508	-1,730	62,000	77,500	-15,500
People's Republic of China	24,512	25,234	-722	36,815	36,896	-94	37,786	39,844	-2,053	40,495	41,095	-600	42,650	43,250	-600
Developing	83,750	80,485	2,821	108,638	99,830	5,410	113,886	109,863	2,951	112,450	114,414	-2,056	119,979	116,295	2,902
East Asia	5,371	5,746	-461	6,675	7,980	-1,507	7,130	9,234	-2,872	7,449	10,017	-2,539	8,150	10,765	-2,846
Indonesia	2,662	2,661	1	2,575	2,299	201	2,912	2,441	145	3,098	2,544	420	3,115	2,612	250
Southeast Asia	839	121	746	2,310	525	1,789	2,752	603	2,304	2,959	729	2,134	3,513	958	2,602
Thailand	602	13	610	2,083	239	1,848	2,520	356	2,319	2,730	480	2,154	3,500	697	2,552
South Asia	19,214	18,956	-143	20,200	20,646	-449	20,157	21,000	-928	20,670	20,663	-207	21,044	21,237	-267
India	16,441	16,174	-131	17,244	17,721	-110	17,013	17,884	-450	17,627	17,567	-190	17,900	18,100	-255
North Africa/Middle East	14,226	14,798	-590	16,333	18,222	-1,229	14,883	17,601	-2,502	17,755	20,181	-2,680	16,476	19,274	-2,862
High Income	2,906	3,228	-1,120	2,592	3,722	-1,139	2,288	3,972	-1,737	2,713	4,689	-2,029	2,740	4,542	-1,922
Central Africa	10,515	10,522	-7	12,119	12,192	-71	11,171	11,494	-327	11,861	11,932	-73	12,114	12,335	-226
East Africa	5,087	4,875	215	6,673	6,532	12	7,314	6,880	650	6,948	6,971	-100	6,590	6,725	-25
Mexico/Central America	7,762	7,985	-309	13,022	13,245	111	13,366	14,784	-2,035	12,129	15,450	-3,334	13,775	16,209	-2,664
Venezuela	466	509	-50	702	943	-262	469	1,205	-743	388	1,467	-908	630	1,570	-940
Brazil	9,746	9,599	181	13,787	8,958	1,064	15,572	14,567	1,275	15,372	14,912	560	17,324	15,134	1,990
Argentina	7,718	4,472	3,294	13,184	6,862	6,340	17,006	8,673	8,673	12,963	7,709	6,031	16,380	7,492	8,800
Other South America	2,806	2,899	-55	3,633	4,025	-388	4,086	4,571	-536	3,756	4,383	-581	3,983	4,596	-652
Rest of World	158	279	-121	117	313	-159	125	418	-293	125	415	-290	125	415	-290
Total Above	409,934	410,359	536,094	532,851	607,396	603,222	570,607	577,357	573,519	570,7	576.1	580.0	577.8		
World	409.9	410.4	536.1	532.9	607.2	611.2	570.7	576.1	573.5	570.7	576.1	580.0	577.8		

1/ Five major coarse grains (barley, corn, oats, rye, and sorghum).

Table 19.--World milled rice production, disappearance and net trade 1/

Country and region	1960/61-1962/63			1969/70-1971/72			1973/74			1974/75			1975/76		
	Production	Disap-	Net	Production	Disap-	Net	Production	Disap-	Net	Production	Disap-	Net	Production	Disap-	Net
			exports			exports									
Developed	14,593	14,222	371	15,581	14,485	2,103	15,606	13,771	1,777	16,422	13,900	2,416	17,362	14,528	2,305
United States	1,867	845	1,022	2,878	1,314	1,719	3,073	1,215	1,646	3,778	1,308	2,440	4,132	1,348	2,400
Canada	---	31	-31	---	60	---	---	59	-59	---	60	-60	---	60	-60
EC-9	584	784	-200	661	750	-89	779	871	-779	735	711	-37	730	720	-40
Other Western Europe	439	604	-165	450	517	-67	426	488	-477	420	490	-63	410	490	-80
South Africa	1	52	-51	1	77	-76	10	95	-85	10	100	-90	10	100	-90
Japan	11,613	11,866	-253	11,400	11,706	546	11,056	10,926	210	11,186	11,140	26	11,800	11,720	-25
Australia & New Zealand	89	40	49	191	61	130	262	117	161	293	91	200	280	90	200
Centrally Planned	52,087	51,588	499	72,872	72,569	303	78,095	76,488	1,607	81,600	79,978	1,622	83,060	82,840	1,620
Eastern Europe	90	338	-248	147	403	-256	142	385	-243	158	386	-228	160	390	-230
USSR	159	335	-176	831	1,149	-318	1,147	1,197	-50	1,242	1,292	-50	1,300	1,350	-50
China 2/	51,838	50,915	923	71,894	71,017	877	76,806	74,906	1,900	80,200	78,300	1,900	81,600	81,100	1,900
Developing	86,200	86,342	-142	114,726	117,879	-2,356	121,156	123,590	-4,078	119,447	125,376	-4,400	125,878	126,992	-3,165
Mexico/Central America	486	573	-87	719	852	-133	790	924	-134	777	915	-135	800	925	-125
Venezuela	47	53	-6	131	114	17	171	169	2	190	165	70	260	182	80
Brazil	3,569	3,505	64	4,749	4,705	68	5,100	5,200	20	5,350	5,470	35	5,530	5,470	30
Argentina	117	95	22	232	162	70	174	150	42	433	158	75	268	165	90
Other South America	961	960	1	1,402	1,279	123	1,565	1,594	106	1,885	1,720	165	2,000	1,750	250
North Africa/Middle East	1,724	1,756	-32	2,806	2,826	-20	2,687	3,885	-1,198	2,670	4,170	-1,500	2,700	4,300	-1,600
Central Africa	1,971	2,407	-436	2,868	3,563	-695	3,095	3,795	-700	3,110	3,810	-700	3,300	4,000	-700
East Africa	144	167	-23	214	235	-21	273	280	-11	234	250	-15	270	280	-10
South Asia	45,752	46,617	-865	57,589	59,206	-844	61,438	59,511	153	56,910	58,750	-395	60,940	61,500	-200
Southeast Asia	15,844	12,463	3,381	20,535	18,692	1,843	19,905	18,826	635	21,110	20,218	1,100	22,100	20,760	1,500
East Asia 3/	15,585	17,746	-2,161	23,481	26,245	-2,764	25,958	29,256	-2,993	26,778	29,750	-3,100	27,740	30,660	-2,480
Rest of World	4,417	4,629	-212	5,115	5,358	-243	5,070	5,360	-290	5,460	5,740	-280	5,700	5,850	-150
World total	157,297	156,781	516	208,294	210,291	-193	219,927	219,209	-984	222,929	224,994	-642	232,000	233,210	610

1/ Production primarily in initial calendar year combined with trade in the following year to get disappearance in year shown. Disappearance estimates include the effect of stock variations.

2/ Rice production series for China has been recently revised. For detailed explanation see EPS, The Agricultural Situation in the People's Republic of China.

3/ North Vietnam estimated at over on 500,000 tons annually in recent years.

3/ Reflects revised Indonesia production series.

Trade excludes exports

OILSEED PRODUCTION CONTINUES TO EXCEED DEMAND

The October issue of the World Agricultural Situation discussed the basic supply-demand situation for world vegetable oils and oilmeals. The general conclusion at that time was that both were in plentiful supply relative to demand. That conclusion still applies except for certain small revisions in data.

On the production side, changes since the last report include an increase in the U.S. soybean crop, 39.2 million metric tons in September to 41.4 million in November; a further decrease in the estimates for the Soviet sunflower crop, now estimated at about 5 million tons or approximately the same as the 1972 crop also considered to be a very poor crop. For peanuts, latest reports from Nigeria indicate commercial production there will be much lower than expected in October, although still larger than harvested last year. On the other hand, the estimate of peanut production in India has been increased to 6.6 million tons, a new record high.

Other changes since the October issue of this report include decreases in the estimate of Mexico's cottonseed production and Canada's soybean production. In addition, late reports are indicating the fall fishing season in Peru is not going as well as was expected earlier, and that fishmeal exports are being restricted. On the plus side, the estimate of Brazil's 1976 soybean crop has been increased to 11.5 million tons. Smaller changes include increases in the 1975 rapeseed crop in Canada and the soybean crop in Mexico.

For trade, three major changes have been made. These include an increase in expected imports by the Soviet Union from 0.5 to 1.5 million tons of soybeans. In addition, increases in soybean exports from the United States and Brazil have been made to reflect the improved export prospects.

The aforementioned major changes and some minor ones have been converted into meal and oil equivalents, respectively, and incorporated into tables 20 and 21.

For meal, the latest estimates place 1976 world meal production at 75 million tons, up 2.0 million

tons from the October estimate. This is over 8 million tons above the estimate for 1975. Meal disappearance in 1976 is estimated at 68.7 million up 4.7 million tons from 1975. However, the disappearance increase is still considerably less than the production increase, indicating the buildup in stocks of oilseeds or oilmeals will continue through 1975/76.

These revised estimates for 1976 place vegetable oil production about 2½ million tons above the 1975 level. The comparable estimates for increased disappearance is 1.1 million tons.

Outside the general supply-demand situation discussed earlier and in the October issue, price fluctuations present some of the more interesting information. Oilseed prices in October were lower than a year previously. From October 1974 to October 1975 price for soybeans declined \$124, or over 30 percent during the period. The U.S. farm price declined 40 percent over the same period.

For soymeal the October 1974 October 1975 price decline was somewhat less drastic, \$47 or 22 percent. The same percentage declines for peanut meal and fishmeal were 26 and 18 respectively. However, fishmeal is somewhat of a special case because prices in October moved strongly upward in response to the decline in Peruvian catch prospects.

For the oils shown on table 22, the volume of U.S. origin soybean oil has been rather limited in Europe and as a result only spotty price quotations are available from European sources. The price for peanut oil declined 25 percent from \$1122 to \$840. The decline for palm oil was even more sharp, 49 percent. For coconut oil, the decline was well over 50 percent.

The price differential for oils, have been unfavorable to soybean oil until just recently. The October differentials of \$60 a ton for palm were more than \$100 a ton for coconut meant that processors, to the extent possible, substituted palm and coconut for soybean oil. However, since then these price differentials have narrowed making soybean considerably more competitive. (*Arthur L. Coffing*)

WORLD MEAT: CONTRARY TRENDS AND UNCERTAINTY

Contrary trends around the world aggravate the uncertainty facing commercial meat producers and exporters. While record high cattle prices have occurred in the European Community, prices received by beef producers in Argentina, Australia, New Zealand, and Uruguay scarcely remunerate them for marketing their product. While these southern hemisphere countries find it increasingly difficult

to export, the EC will end 1975 as a net exporter of beef, reversing its traditional role. Now the USSR is reported to be raising its slaughter rate because of feed shortages and to be producing more domestic meat.

The main consuming countries of the commercial meat economy—North America, the EC and Japan—are experiencing a production decline in

Table 20. World oilseed and fishmeal production, trade availability, (meal equivalent basis), 1969-71 average, 1973, 1974 forecast 1975 and 1976 1/

Country or region	1969-71 Average					1973					1974 2/					1975 3/					1976 4/																			
	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance																			
Million metric tons																																								
Developed																																								
United States 5/	25.4	11.6	14.6	29.1	15.0	13.8	34.4	17.0	15.3	27.8	13.2	33.6	14.8	33.6	13.5	33.6	14.8	33.6	13.5	33.6	14.7																			
Canada	1.3	0.4	0.9	1.3	0.8	0.8	1.3	0.5	0.8	1.2	0.5	1.5	0.6	1.5	0.8	1.5	0.6	1.5	0.8	1.5	0.8																			
EC-9	1.1	-12.5	13.6	1.2	-13.4	14.6	1.2	-13.9	-15.1	1.2	14.4	1.2	-15.3	1.2	15.6	1.2	-15.3	1.2	15.6	1.2	16.5																			
O.W. Europe	1.0	-1.9	2.9	1.2	-1.4	2.6	1.2	-1.8	3.0	1.2	-1.9	1.2	-3.1	1.2	3.1	1.2	-3.1	1.2	3.1	1.2	3.3																			
Japan	1.0	-2.7	3.8	1.2	-3.4	4.6	1.1	-2.9	4.1	1.2	-3.1	1.2	-3.4	1.2	4.3	1.2	-3.4	1.2	4.3	1.2	4.6																			
Aust. & N.Z.	0.1	-0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.6																			
South Africa	0.7	0.4	0.3	0.7	0.1	0.6	0.7	0.1	0.5	0.7	0.1	0.7	0.1	0.7	0.6	0.7	0.1	0.7	0.6	0.7	0.6																			
Total	30.6	-4.8	36.3	34.2	-2.4	37.2	40.0	-1.0	38.9	33.5	5.7	39.6	5.3	39.6	38.1	39.6	5.3	39.6	38.1	39.6	40.7																			
Central Plan																																								
East Europe	1.3	-1.2	2.5	1.5	-3.2	4.7	1.5	-3.4	4.9	1.5	-3.4	1.6	-3.5	1.6	4.8	1.6	-3.5	1.6	4.8	1.6	5.1																			
U.S.S.R.	4.5	---	4.5	4.4	-0.7	5.0	4.8	---	4.8	4.6	-0.2	4.2	-1.2	4.2	4.8	4.2	-1.2	4.2	4.8	4.2	5.4																			
P.R. China	3.9	0.2	3.7	3.9	-0.3	4.2	4.1	0.1	4.0	3.9	---	4.3	---	4.3	3.9	4.3	---	4.3	3.9	4.3	4.3																			
Total	9.7	-1.0	10.7	9.8	-4.2	13.9	10.4	-3.3	13.7	10.0	3.6	10.1	-4.7	10.1	13.5	10.1	-4.7	10.1	13.5	10.1	14.8																			
Less Developed																																								
Mexico & Cent. Am.	0.8	-0.1	0.9	0.9	---	0.9	0.9	-4	1.3	1.0	-0.3	1.1	-0.3	1.1	1.3	1.1	-0.3	1.1	1.3	1.1	1.4																			
Brazil	1.8	1.1	0.7	4.2	3.1	1.1	5.9	4.7	1.2	7.5	6.2	8.2	6.6	8.2	1.3	8.2	6.6	8.2	1.3	8.2	1.4																			
Argentina	1.0	0.8	0.2	1.0	0.6	0.4	1.0	0.5	0.4	1.0	0.5	1.1	0.6	1.1	0.4	1.1	0.6	1.1	0.4	1.1	1.5																			
O.S. America	3.7	2.9	0.8	1.3	0.6	0.7	2.8	2.2	0.6	3.0	2.3	3.2	2.3	3.2	0.7	3.2	2.3	3.2	0.7	3.2	0.8																			
North Africa	0.7	0.3	0.4	0.8	0.2	0.6	0.7	0.2	0.5	0.8	0.2	0.8	0.2	0.8	0.6	0.8	0.2	0.8	0.6	0.8	0.8																			
Central Africa	2.1	1.4	0.7	2.3	1.1	1.2	2.1	1.0	1.1	2.3	1.1	2.4	1.2	2.4	1.2	2.4	1.2	2.4	1.2	2.4	0.6																			
West Asia	0.7	0.1	0.7	0.9	---	0.9	0.8	---	0.8	0.9	---	0.9	---	0.9	0.9	0.9	---	0.9	0.9	0.9	0.9																			
South Asia	4.2	0.7	3.6	4.0	1.0	2.9	4.8	0.8	4.0	4.6	0.6	5.3	1.0	5.3	4.1	5.3	1.0	5.3	4.1	5.3	0.9																			
Southeast Asia	0.2	0.1	0.1	0.2	---	0.2	0.3	---	0.2	0.3	0.1	0.3	0.1	0.3	0.2	0.3	0.1	0.3	0.2	0.3	0.2																			
East Asia, Pac.	1.5	---	1.5	1.7	0.2	1.5	1.9	0.2	1.7	2.0	0.1	2.0	0.1	2.0	1.8	2.0	0.1	2.0	1.8	2.0	1.9																			
Total	16.7	7.3	9.6	17.3	6.8	10.4	21.2	9.3	11.8	23.3	10.8	25.3	11.8	25.3	12.4	25.3	11.8	25.3	12.4	25.3	12.2																			
Grand total	57.0	1.5	56.6	61.3	0.2	61.5	71.6	5.0	64.4	66.8	1.5	75.0	1.8	75.0	64.0	75.0	1.8	75.0	64.0	75.0	68.7																			
Grand total Less U.S.	31.6	-10.1	42.0	32.2	-14.8	47.7	37.2	-11.2	49.1	39.0	-11.7	41.4	-13.0	41.4	49.3	41.4	-13.0	41.4	49.3	41.4	34.0																			

1/ Oilseed meals include those from soybeans, cottonseed, peanuts, rapeseed, sunflower, linseed, sesame, copra, and palm kernels. Fishmeal data are adjusted by a factor of 1.5 to reflect its higher protein content, none of the other meals was converted.

2/ Preliminary.

3/ Partially forecast.

4/ Forecast.

5/ U.S. disappearance estimates include the effect of stock variations and are based largely on crop year estimates.

Table 21--World edible oil production, net trade and availability (oil equivalent basis)
for 1969-71 average, 1973 preliminary 1974, forecast 1975 and 1976 1/

Country or region	1969-71 Average				1973				1974 2/				1975 3/				1976 4/			
	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Production	Net exports	Disappearance	Production
Developed																				
United States 5/	6.11	2.22	3.87	6.93	2.45	4.23	8.03	3.30	4.38	6.52	2.38	3.97	7.78	2.47	4.38					
Canada	0.33	0.14	0.20	0.48	0.34	0.14	0.47	0.17	0.30	0.45	0.15	0.30	0.61	0.17	0.33					
EC-9	0.79	-3.07	3.86	0.85	-3.51	4.36	0.97	-3.53	4.50	0.90	-3.60	4.50	0.95	-3.65	4.60					
O.W. Europe	0.82	-0.33	1.15	0.98	-0.31	1.29	0.95	-0.42	1.37	0.90	-0.45	1.35	1.01	-0.39	1.40					
Japan	0.03	-0.73	0.75	0.02	-0.90	0.92	0.02	-0.85	0.87	0.02	-0.87	0.89	0.02	-0.92	0.94					
Australia & New Zealand	0.02	-0.05	0.07	0.06	-0.04	0.10	0.04	-0.06	0.10	0.04	-0.06	0.10	0.05	-0.06	0.11					
South Africa	0.12	0.03	0.09	0.11	0.00	0.11	0.21	0.06	0.15	0.17	0.05	0.12	0.18	0.05	0.12					
Total	8.22	-1.79	9.99	9.43	-1.97	11.15	10.69	-1.33	11.67	9.10	-2.40	11.23	10.60	-2.33	11.88					
Central Plan																				
East Europe	0.90	0.02	0.88	1.03	-0.05	1.08	1.02	-0.02	1.04	1.02	-0.02	1.04	1.04	-0.02	1.06					
U.S.S.R.	3.08	.49	2.57	2.66	.23	2.43	3.56	0.52	3.04	3.37	0.47	2.90	2.85	0	2.85					
P.R. China	1.38	.06	1.32	1.42	-.23	1.65	1.45	-0.11	1.56	1.40	-0.24	1.64	1.50	-0.14	1.64					
Total	5.36	0.57	4.77	5.11	-0.05	5.16	6.03	0.40	5.64	5.79	0.21	5.58	5.39	-0.16	5.55					
Less Developed																				
Mexico & Central America	0.38	-0.16	0.55	0.42	-0.16	.58	.45	-0.13	0.58	0.46	-0.13	0.59	0.41	-0.20	0.61					
Brazil	0.68	0.04	0.64	1.21	0.44	0.77	1.61	0.53	1.08	1.96	1.01	0.95	2.26	1.16	1.09					
Argentina	0.41	0.10	0.31	0.50	0.16	0.34	0.51	0.11	0.40	0.48	0.10	.38	.50	.40	.40					
O.S. America	0.24	-0.13	0.36	0.26	-0.19	0.45	0.35	-0.13	0.48	0.38	-0.12	0.50	0.40	-0.12	0.52					
North Africa	0.48	-0.15	0.62	0.65	-0.17	.82	0.52	-0.19	.71	.65	-.19	.84	.55	-0.20	.75					
Central Africa	2.59	0.96	1.62	2.89	0.68	2.12	2.60	0.50	2.10	2.85	0.70	2.15	3.10	0.85	2.25					
West Asia	0.47	-0.23	0.70	0.58	-0.45	1.03	0.62	-0.48	1.10	0.68	-0.50	1.18	0.70	-0.55	1.25					
South Asia	2.45	-0.13	2.58	2.19	-0.23	2.42	2.78	0.20	2.98	2.54	-0.24	2.78	3.16	0	3.16					
Southeast Asia	0.13	-0.01	0.14	0.16	-0.03	0.19	0.18	-0.01	0.19	0.19	---	0.19	0.19	---	0.19					
East Asia, Pac.	2.51	1.24	1.27	3.21	1.90	1.31	3.32	1.83	1.49	3.62	2.03	1.59	3.92	2.23	1.69					
Total	10.34	1.57	8.79	11.98	1.95	10.08	12.94	1.83	11.11	13.81	2.56	11.15	15.19	3.27	11.92					
Grand Total	23.92	0.45	23.55	26.52	-0.07	26.39	29.66	.90	28.42	28.70	0.37	28.23	31.18	0.78	29.35					
Grand total Less U.S.	17.81	-1.77	19.68	19.59	-2.38	22.16	21.63	-2.40	24.04	22.18	-2.01	24.26	23.40	-1.69	24.97					

1/ Includes soybean oil, cottonseed oil, peanut oil, sunflower, sesame oil, coconut oil, palm oil, palm kernel oil, and olive oil.

2/ Preliminary.

3/ Partially forecast.

4/ Forecast.

5/ U.S. disappearance estimates include the effect of stock variations.

Table 22.--Selected international prices for soybeans and oilseed products, annual 1969-74, and monthly September 1974-October 1975 1/

Period	Soybeans				Meals				Oils											
	U.S. 2/		Brazil 3/		Soybean 4/		Peanut 5/		Fish 6/		Soybean 7/		Peanut 8/		Sunflower 9/		Palm 10/		Coconut 11/	
	Dollars per metric ton																			
Annual Averages																				
1969	103	n.q.		95	117	211	282	333			261	171			261	171			366	
1970	117	n.q.		103	131	291	293	341			368	279			368	279			378	
1971	126	n.q.		102	116	186	304	451			373	266			373	266			358	
1972	140	n.q.		129	142	239	252	418			325	215			325	215			249	
1973	290	n.q.		302	300	542	465	540			481	395			481	395			503	
1974	277	n.q.		184	179	366	792	1091			978	686			978	686			994	
Monthly Averages																				
1974																				
September	303	301		184	173	279	---	1047			1011	714			1011	714			826	
October	335	350		210	196	317	---	1122			1160	799			1160	799			875	
November	312	319		179	182	294	---	1088			1177	765			1177	765			748	
December	288	309		184	173	296	---	1080			1146	668			1146	668			660	
1975																				
January	256	259		156	149	277	775	1078			1078	552			1078	552			548	
February	231	227		141	122	226	661	1078			960	461			960	461			467	
March	226	225		144	131	222	---	965			760	450			760	450			450	
April	229	226		153	140	239	---	882			785	438			785	438			428	
May	208	214		148	130	218	---	727			665	378			665	378			355	
June	207	215		157	135	212	---	660			571	332			571	332			333	
July	224	230		157	145	225	---	n.q.			655	387			655	387			372	
August	243	245		170	152	237	599	908			735	452			735	452			388	
September	227	235		169	153	228	537	871			681	417			681	417			368	
October	211	n.q.		163	146	260	474	840			667	410			667	410			347	

1/ Nearest forward shipment.

2/ U.S. No. 2, bulk, c.i.f. Rotterdam.

3/ Brazilian, c.i.f. Hamburg.

4/ U.S. 44 percent, c.i.f. Rotterdam.

5/ Nigerian 54 percent, c.i.f. U.K. starting 1974, 50 percent, any origin, c.i.f. Hamburg.

6/ Peru 65 percent, after September 1972 64/65%, any origin, c.i.f. Hamburg.

7/ U.S. crude, c.i.f. Rotterdam after July 1975, U.S. crude, f.o.b. Decatur.

8/ Nigerian/Gambia 3-5 percent, c.i.f. U.K.

9/ Any origin, Ex-tank, Rotterdam.

10/ Malaysian 5 percent bulk, European ports, U.K.

11/ Sri Lanka, 1 percent bulk, c.i.f. European ports, after January 1974 Philippines/Indonesia, c.i.f. Rotterdam.

n.q. = No quotation.

Source: Oilworld Weekly, Hamburg, West Germany. Monthly Bulletin of Agricultural Economics and Statistics, FAO, Rome.

1975 by about 3 percent from the 1974 record. Most of this drop can be attributed to a fall in U.S. pork and poultry output not entirely compensated for a pickup in U.S. beef. In the EC total meat output will be at about the 1974 level. In Japan total meat production is down, especially pork.

Meat imports by the major consuming countries in 1975 are expected to continue, on a net basis, at the depressed 1974 levels. Beef, however, is considered likely to decline still further, with pork experiencing a compensating rise.

Meanwhile, production is soaring in the major long-distance beef-exporting countries. Because their exports are limited by curtailed purchases by potential importers, their domestic consumption is also rising. This development is the natural result of strong measures taken several years ago to increase beef production when the world was fearful of entering into a period of inadequate meat supplies. The rise in beef production is further explained by the larger herds and the return to more normal rates of slaughter. Large numbers of mature cattle had been withheld from the market in 1974 in the vain hope of receiving improved prices and market access.

Strict control on cattle and beef imports by the EC has resulted in imports of less than 100,000 head this year, only a fifth of the 1974 levels. Net beef imports are expected to be down to negligible levels, compared with 150,000 tons in 1974. In June of this year, the ban was relaxed in principle but with little practical effect. Through September imports were permitted provided they were matched by equal quantities of exports. Further adjustment of the program occurred on October 1st to permit imports of 2 tons of bone-in or 1.6 tons of boneless beef for every ton of bone-in beef exported. Government-held intervention stocks of beef totaled nearly 300,000 tons carcass weight in mid-1975.

Japan seems poised for a resumption of more active importing of meat. Beef stocks have been worked off, and, thus far in 1975, import quotas totaling about 35,000 tons have been announced. This is small compared with 1973 imports of 127,000 tons, but the trend is toward a more open market. Pork imports are expected to rise this year by a factor of 3 over the 1974 level of 42,000 tons.

Mutton import are expected to be slightly higher than in 1974.

U.S. cattle numbers and slaughter are running at record levels. The July 1, 1975 figures show a 140.1-million herd, up 1 percent from 1974. Reduced slaughter weights will hold 1975 beef production to a gain of 3 percent for the year, and poised for further growth if slaughter weights recover as expected. A sharp drop in the second half is seen reducing 1975 pork output by 17 to 18 percent from the 1974 level to the lowest annual production since 1966.

On August 7, the United States removed import quotas on Canadian cattle, hogs, and pork, and Canada removed quotas on U.S. cattle. The movement of beef and veal between the 2 countries continues to be subject to quotas by both countries. Canada administers a system of global quotas on beef and veal but price-cutting by exporters caused imposition of individual country quotas in August.

The United States, administers meat imports so that they can grow at the same rate as U.S. domestic production, and quotas are required if monitoring guidelines are exceeded. Voluntary restraints by exporters were negotiated to avoid the imposition of the quotas. Imports for 1975 under the quota law are expected to reach 535,000 tons, up 9 percent from 1974.

The importation of beef by the USSR this year has helped a number of beef-exporting countries through a difficult period. The EC provided 90,000 tons in 1974 and is reported to have contracted for up to 130,000 in 1975. Australia and Argentina have both contracted for sales to the USSR. Australia had delivered 35,000 out of 40,000 tons contracted this year within the stipulated period but could not get an extension.

Now it is becoming evident that distress marketing of livestock—especially hogs and poultry—is occurring in the USSR. Cattle herds are being held back. Beef output has been down in recent months, and mutton up only slightly. Pork and poultry inventories are being reduced sharply, however, and production of these categories is high. Thus, it appears that the USSR is striving to maintain its beef and dairy herds. (*Donald W. Regier*)

DAIRY SITUATION LITTLE CHANGED

Milk Products⁹

Milk production in the major producing countries in the first nine months of 1975 is estimated at about the same level as the 1974 level (table 23).

⁹This section is based on country data from the Organization for Economic Cooperation and Development (OECD) except for the United States, USSR, and Eastern Europe.

Production through September in the United States is down about 0.4 percent from the 1974 level, but is expected to about equal last season's output for the entire year. Due to dry weather, production in Canada, which was about 6 percent above 1974 in June, fell to only about 1 percent in July and is estimated to remain at that level for August and September. For the first 9 months of 1975, however, production is estimated to be up by about 2 percent.

Table 23.--Milk deliveries in 1974 and comparison in percentage change with the same months of the preceding year 1/

Country, region	1974 Quantity : 1,000 Metric tons	1974/73 Change :	July :	1975 Forecast :		
				August :	September :	January/September :
				Percent ---		
United States	52.4	---	-1	-1	0	0
Canada	7.5	-1	+1	+1	+1	+2
EC-9						-1
Belgium	2.7	+2	---	---	---	---
Luxembourg	0.2	+6	-1	-1	0	-2
France	29.5	+1	-2	-2	0	0
Germany	21.5	+1	0	0	0	-13
Italy	8.8	-2	+2	+1	+1	+1
Netherlands	9.8	+5	+1	+2	+3	+2
Denmark	4.6	+2	+1	0	0	0
Ireland	2.7	-5	0	0	0	-2
United Kingdom	13.5	-3	-3	-2	-2	-1
OWE						0
Finland			0	+4	+2	-1
Iceland	0.1	+3	-4	-3	-2	-2
Norway	1.7	---	-2	+1	+1	+1
Sweden	3.0	+4	0	-2	-2	-1
Austria	2.1	---	-2	-1	-1	-1
Switzerland	2.8	-2	-1	0	0	-1
Greece			---	---	---	+5
Spain			0	+1	+1	+1
Portugal			+9	+6	+13	+12
USSR 2/	91.8	+4				5/ 0
Eastern Europe 2/ 4/	41.4	+2				5/ 0
Japan	4.9	-1	---	---	---	+2
Australia	6.6	-11	-7	-3	0	+1
New Zealand	5.0	-4	+11	+8	+3	+8
Total						0

1/ Figures subject to revision.

2/ For USSR and Eastern Europe figures are for production not deliveries.

3/ Socialized sector only.

4/ Includes Romania, Czechoslovakia, East Germany, Hungary, Poland, Bulgaria and Yugoslavia.

5/ Estimate for January-December year.

Source: OECD Situation and Prospects, AGR/WP3 (75) 9 July 1975 for the USSR and Eastern Europe Foreign Demand and Competition Division/Economic Research Service.

The general trend indicates that production is down in some European countries in recent months. Production estimates show that both the EC as a whole and some non-EC members of Western Europe are slightly below their 1974 levels. In the EC, the Netherlands, which is up about 2 percent is the only country above its 1974 level. West Germany is estimated to be down by 13 percent.

Australia and New Zealand show production increases of 1 percent and 8 percent, respectively, for the first 9 months of 1975.

Dairy Product Output

In recent months cheese production in the United States has run only a little below 1974 levels, but for the first 9 months production is down by about 7 percent. Canadian production for the first 9 months is about at the 1974 level.

Forecast for September and August show all the EC countries except West Germany producing less cheese than they produced in 1974. West Germany which reported production up 11 percent and 18 percent in June and July forecast August and September production to be up only 1 percent and 4 percent. For the 9 month period. However, EC production is forecast to be up by 2 percent. Switzerland, the major European cheese exporter that is not an EC member, is keeping cheese production at about the 1974 level.

Butter production in the United States, which was up by 11 percent for the first half of the year, was down 13 percent for July through September.

The average for the 9 month period is up about 4 percent. In Canada for the 9 month period to September butter production is up by 9 percent.

In Europe, although the difficult market situation for cheese has led some countries to divert more milk into butter production, it appears that for the first 9 months of 1975 production is slightly below the 1974 level. In contrast, despite New Zealand's policy of limiting butter and skim milk power production, production there is up slightly.

Production of nonfat dry milk in the OECD countries is well above 1974 production and stocks, which are at a very high level, are increasing. In the United States production of nonfat dry milk is below 1974 levels for July to September period, however, the high production in earlier months result in production being 3 percent above a year ago for the 9 month period through September. Canada's production is well above a year ago.

Production in the EC is up by 8 percent for the 9 month period through September. Output is also up substantially in Finland and Austria. In Australia and New Zealand, however, production is below a year ago.

Stocks

The stock situation for nonfat dry milk is still critical with well over easily manageable stocks in many major producing areas. Cheese stocks, which were a problem earlier this year are still above 1974 levels, but are stabilizing at manageable levels. Butter stocks are substantial but not so high as to be a management problem. (Thomas A. Twomey)

SUGAR SUPPLIES MODERATE AT MODERATE PRICES

Preliminary estimates suggest a 1975/76 (May/April) world sugar output of 83 to 84 million tons, raw value, or 4 to 5 million tons above last season and right on trend (table 24). With consumption showing signs of recovery but low beginning stocks, the market is very much dependent on the condition of other sugar harvests coming up in the second half of this season, particularly in the northern hemisphere cane-producing area. A modest increase in stocks is foreseen, and relatively stable prices.

Production

The advance in sugar output, largely reflecting expanded sugarbeet acreage in Europe (East and West) and in the United States, was spurred on by high prices and low availabilities that followed stock drawdowns in four of the preceding 5 years. In West Europe, beet acreage rose 17 percent and

sugar output 16 percent (1.7 million tons). But poor weather for the second consecutive year intervened to keep yields down, particularly in the United Kingdom.

Table 24—World sugar production and trend estimates

Year	Centrifugal sugar production (raw value)		
	Actual production	Trend production ¹	Deviation from trend
Million metric tons			
1971/72	70.6	74.1	-3.5
1972/73	75.5	76.2	-0.7
1973/74	80.6	78.3	2.3
1974/75	78.6	80.4	-1.8
1975/76	² 83-84	83.5	—

¹ Trend based on 1959/60-1973/74. ² Forecast.

Estimates of the USSR beet crop have recently been revised downward, and sugar production may total only 8.5 million tons (raw basis) versus the 9 million expected earlier for the 1975/76 processing year. The current estimate is 10 percent above last year but 10 percent below 1973/74 and the 1964/65-1968/69 average.

In the United States, a 24 percent increase in beet acreage and 7 percent in cane combined with higher yields to produce a record sugar crop 15 percent (about 800,000 tons) above 1974/75. Brazil's cane sugar production estimated at 7 million tons is about ½ million tons below earlier expectations as a result of frost damage. Frost in Argentina and drought in the Caribbean have also moderated cane output estimates (table 25).

Consumption

World sugar consumption for 1975/76 (May/April) is forecast at 82 million tons. This would be significantly less than a potential consumption level of 84.5 million tons, based on the trend prior to the disruptive events of 1974 when high sugar prices, worldwide recession, and low sugar availabilities limited consumption. It is possible, but not likely, that sugar consumption will get back on the pre-1974 trend. The emerging importance of alternative sweeteners such as high fructose corn syrup will limit future gains in sugar use. In the United States, per capita refined sugar consumption in 1975 will average under 90 pounds versus a top of 102 pounds in 1973. Imports are expected to fall to about 3.7 million tons in 1975, from 5.3 in 1974.

Stocks

The forecast world output and consumption would permit an addition to stocks of 1 to 2 million tons, for an estimated total of 17-18 million tons as of April 1976. This translates approximately to an 11-week supply, based on consumption of 82 million tons. Stocks would be merely adequate and the market highly vulnerable.

WORLD COTTON MARKET UP MODERATELY¹⁰

Recent economic expansion in the United States and forecasts of some economic recovery in other countries point to a moderate resurgence in textile activity in the 1975/76 season. World cotton consumption is now forecast at about 61 million bales, 5 percent above 1974/75 (table 26). World cotton acreage, reacting to higher cotton demand, will likely

A group of 22 Latin American sugar exporters met for the third time since 1974 in Lima, Peru and emerged with a plan to stabilize or raise world market prices: contracts for long-term deliveries are to have minimum price provisions; the final destination of the sugar should be declared upon purchase; no sales are to be made at below the market quotations prevailing on that day; selling tenders should not be announced more than 48 hours in advance and are to be limited to a maximum of 50,000 tons at a time. The group of 22 producers controls over one-half of world exports, and would represent 60 percent if the Philippines (an accredited observer in Lima) were to participate. An influence on the course of sugar prices is possible, at least for brief periods. But none of the declared principles are binding, and persistently high prices are likely to invite undercutting and additional production from non-members and competitive sweeteners supplies. A fourth meeting is planned for Cali, Colombia in March, 1976.

It has been reported recently that the USSR has agreed to import Cuban sugar at 30 cents a pound over the period 1975-80. Soviet imports in 1976 will likely be 2.5 to 3 million tons, mostly from Cuba; some imports may come from other sources such as the Philippines and India. (India's exports, only 200,000 tons in 1973, are estimated at 1.2 million tons in 1975, much of it destined for the Middle East.)

Prices

The world raw sugar price (based on sugar stowed in greater Caribbean ports and Brazil) will average about 19 cents a pound in 1975 compared with 30 cents in 1974. Since the beginning of the 1975/76 season in May, prices have ranged from 13 to 19 cents a pound, and it is currently expected that prices will stay in that range for the remainder of the season. (*Robert D. Barry*)

expand in 1976/77; but in the current 1975/76 season, plantings have been drastically cut back and cotton production is predicted to fall about 9 percent to around 57.3 million bales. For the first time since 1970/71, consumption will exceed production and work off some of the stocks swollen from recent years' cumulative additions. At the start of this season in August 1975, world cotton stocks were an estimated 30 million bales—about one-half of estimated consumption.

The price per pound of U.S. SM 1-1/16" cotton (cif Northern Europe) has been moving up from the

¹⁰Quantities of cotton are given in this section as bales of 480 pounds net weight, unless specified as running bales, for certain U.S. export data, which weigh on the average something in excess of 480 pounds net.

Table 25.--World centrifugal sugar production, trade, and consumption

Country or region	Production				Net exports 1/				Consumption 2/			
	1964/65- 1968/69 Average	1972/73	1973/74	1974/75	1975/76	1964/65- 1968/69 Average	1972/73	1973/74	1965-1969 3/	1973	1974	1975
North America	15,953	17,315	17,456	17,219	18,229	2,143	1,408	1,872	13,755	15,570	15,570	15,195
Canada	139	146	114	101	128	-841	-900	-900	1,022	1,212	1,212	984
United States 4/	5,647	6,048	5,378	5,404	6,233	-4,094	-4,718	-4,742	9,765	10,631	10,631	10,324
Cuba	5,310	5,350	5,900	5,500	5,400	4,969	4,140	4,797	596	464	464	522
Dominican Republic	723	1,142	1,194	1,142	1,143	588	1,099	1,031	119	170	170	172
Mexico	2,301	2,770	2,835	2,900	3,000	460	577	490	1,665	2,298	2,298	2,344
Other North America	1,833	1,859	2,035	2,172	2,325	1,061	1,210	1,196	588	795	795	849
South America	7,904	10,646	12,043	12,559	12,251	1,779	3,148	3,575	5,848	7,823	7,823	8,347
Argentina	991	1,294	1,650	1,432	1,391	74	167	469	879	958	958	1,100
Brazil	4,356	6,164	6,960	7,400	7,000	968	2,054	2,376	3,107	4,266	4,266	4,578
Other South America	2,557	3,188	3,433	3,727	3,860	737	927	730	1,862	2,599	2,599	2,669
West Europe	9,382	11,293	11,761	10,625	12,339	-2,889	-1,526	-1,418	13,299	15,169	15,169	14,551
EC	7,982	9,476	9,962	8,966	10,322	-1,717	-399	-342	10,097	11,116	11,116	11,598
Other Western Europe	1,400	1,817	1,799	1,659	2,017	-1,172	-1,127	-1,076	3,202	4,053	4,053	2,953
East Europe	4,906	4,911	5,108	4,804	5,515	91	-283	-304	4,191	5,211	5,211	5,229
U.S.S.R.	9,560	8,075	9,533	7,730	8,500	-853	-1,860	-3,260	9,403	11,200	11,200	11,250
Africa	2,633	3,530	3,823	3,829	3,777	-42	-157	-157	2,702	3,788	3,788	3,806
South Africa Republic	1,426	1,915	1,732	1,883	1,880	734	1,168	892	825	1,068	1,068	1,140
Asia	10,790	14,632	16,078	16,638	17,581	-2,230	-3,130	-3,081	12,808	17,905	17,905	18,139
P.R. China	1,441	2,457	2,630	2,400	2,500	-157	-593	-581	2,679	3,800	3,800	4,200
India 5/	3,551	4,572	4,950	6,000	6,000	233	249	487	2,800	3,827	3,827	3,990
Japan	361	650	653	491	550	-1,913	-2,777	-2,580	2,289	3,294	3,294	3,336
Philippines	1,559	2,425	2,644	2,451	2,568	970	1,240	1,475	622	800	800	850
Oceania	2,647	3,110	3,002	3,287	3,320	1,787	2,109	2,173	858	982	982	1,010
Australia	2,290	2,735	2,652	2,927	2,950	1,636	2,010	2,100	683	778	778	734
World Total	65,201	75,427	80,535	78,574	83,392	520	877	1,638	63,689	78,715	78,715	79,766

Note: --Means zero or negligible. The difference between production and consumption is not equal to change in stocks because of differences in reporting methods, sugar in transit, and reporting lags. World net exports do not equal zero because of statistical discrepancies.

1/ Data for 1974/75 will be published by FAS in late December 1975.

2/ Data for 1975 are not yet available.

3/ Preliminary.

4/ Includes Hawaii, Puerto Rico, and U.S. Virgin Islands.

5/ India production includes Khandasari.

Source: Production and trade, Foreign Agricultural Service; consumption, International Sugar Organization.

Table 26—World cotton production and consumption and trend estimates

Year beginning August 1	Production		Consumption	
	Actual	Trend ¹	Actual	Trend ¹
	Million bales ²	Million bales ²	Million bales ²	Million bales ²
1969/70-1971/72				
Average	55.4	57.2	56.5	56.5
1972/73	61.5	59.5	59.1	58.7
1973/74	62.2	60.6	61.2	59.7
1974/75	63.1	61.7	58.0	60.8
1975/76	³ 57.3	62.8	³ 61.1	61.8

¹ Trend based on 1960/61-1974/75. ² Bales of 480 pounds net weight. ³ Forecast.

January 1975 average of 49 cents and, after a slight reverse in September, now stands at about 64 cents compared with the (current dollar) annual average price of 65 cents in 1973 and 67 cents in 1974.

Production

The predicted 9-percent drop in world cotton output derives largely from a 7 percent cutback in planted acreage associated with lower cotton prices at sowing time, rising production costs, comparatively more profitable alternative crops, and heavy stocks back-up. The expected 22 percent drop in U.S. output amounts to 2.5 million bales or 40 percent of the total world decrease (table 27). Foreign non-communist cotton production appears likely to decrease some 11 percent, from 28.8 to 25.6 million bales, accounted for by the exporting countries. Production in foreign non-communist exporting countries is expected to fall by 16 percent or 3.4 million bales; a big exception is India where favorable rains have promoted a bumper harvest of 6.4 million bales. Mexico's output, however, will be radically reduced 60 percent or 1.4 million bales as a result of extensive shifting from cotton to more attractive foodgrains with guaranteed prices. Turkey's cotton is forecast to be down a fourth or 700,000 bales, from lower acreage and yields. Egypt's output could be 13 percent or 205,000 bales less than in 1974/75. For the foreign non-communist importing countries, a slight increase in output is

anticipated. Cotton production in communist countries is now expected to be lower than early estimates and marginally below last season's 22.9 million bales. Cotton output in communist countries has been less affected by the past year's world-wide recession; but then, the ratio of stocks to consumption has been lower there than in other countries. In the current 1975/76 season, the stocks-to-consumption ratio is 27 percent compared with 34 percent in foreign non-communist importing countries, 108 percent in foreign non-communist exporting countries, and about 80 percent in the United States.

Consumption

World cotton consumption is forecast at 61.1 million bales or about 3 million above 1974/75. U.S. domestic cotton use is predicted to rise sharply from 5.9 million bales to within a range of 6.8 to 7.3 million, an increase of between 15 and 25 percent, as a result of strengthening fiber demand and competitive cotton prices. For the foreign non-communist exporters as a group, cotton mill consumption is predicted to rise about a million bales or nearly 10 percent, to 10.8 million; for the foreign non-communist importers, the expected increase is around 700,000 bales or around 4 percent, to 19.6 million. Only a small rise in cotton use is anticipated for the communist areas, to 23.7 million bales or close to the trend figure of 24 million.

Trade

While more buoyant economic conditions are expected to resurrect world cotton trade to almost 18 million bales in 1975/76, this would still be less than trade levels achieved in the 1971/72-1973/74 seasons. Big export gains are foreseen for Brazil, Turkey, and Sudan. U.S. exports are forecast within a range of 3.5 to 4 million bales, but are not likely to exceed 3.7 million bales because of stiff competition from abundant and currently cheaper foreign supplies; final figures will be heavily contingent on stocks policies in the foreign non-communist exporting countries, the price competitiveness of U.S. cotton, and the expansiveness of the world economy. (Robert D. Barry)

SLOWER GROWTH IN TOBACCO

World tobacco production in 1975 is estimated at 11.8 billion pounds, a 4 percent increase over 1974 (figure 11 and table 28). This growth is less than gains of 8 percent in 1974 and almost 3 percent in 1973, but is still double the 1960-74 average rate of increase. Output

in 1976 is forecast at about the 1975 level. Tobacco stocks are up, and 1975 volume of imports has tapered off. Growth in cigarette output also moderated in 1975. The U.S. auction price for flue-cured tobacco averaged \$1.00 a pound in 1975, down from \$1.05 in 1974.

Table 27.--Cotton production, exports, imports, and mill consumption in selected countries and regions, 1973/74-1975/76 1/

Country or region	Production			Exports			Imports			Mill consumption		
	1973/74	1974/75	1975/76	1973/74	1974/75	1975/76	1973/74	1974/75	1975/76	1973/74	1974/75	1975/76
	Million bales 3/											
United States	13.0	11.5	9.0	6.1	3.9	3.7	---	---	---	7.5	5.9	7.0
U.S.S.R.	11.8	12.9	13.0 4/	3.3	3.4	3.5	0.6	0.6	0.6	9.2	9.4	9.6
China, People's Republic	9.9	9.9	9.9	0.1	0.2	---	1.8	0.7	0.3	10.5	10.8	10.8
India	5.5	6.0	6.4	0.2	0.1	0.2	0.2	0.1	0.1	6.0	5.9	6.0
Pakistan	2.9	2.9	2.8	0.2	1.1	0.8	---	---	---	2.3	2.2	2.3
Brazil	2.7	2.3	2.2	0.7	0.2	0.9	---	---	---	1.7	1.7	1.8
Egypt	2.2	2.1	1.7 8	1.2	0.8	0.8	---	---	---	1.0	1.0	1.1
Turkey	2.4	2.8	2.1	1.0	0.7	1.3	---	---	---	1.0	1.0	1.4
Mexico	1.5	2.3	0.9	0.7	0.9	0.6	---	---	---	0.8	0.7	0.8
Central America 4/	1.6	1.4	1.3	1.1	1.4	1.3	---	---	---	0.2	0.2	0.2
Sudan	1.1	0.9	0.8	0.8	0.5	0.8	---	---	---	0.1	0.1	0.1
EC-9	---	---	---	---	---	---	3.9	3.7	3.9	4.1	3.6	3.7
Eastern Europe 5/	0.1	0.1	0.1	---	---	---	3.3	2.8	2.9	3.3	2.9	3.0
Japan	---	---	---	---	0.2	---	3.7	3.2	3.1	3.6	2.9	3.1
Hong Kong	---	---	---	---	---	---	0.8	0.7	0.9	0.8	0.8	0.8
Taiwan	---	---	---	---	---	---	0.9	0.6	0.6	0.7	0.6	0.7
Korea, Republic of	---	---	---	---	---	---	0.8	0.8	0.9	0.7	0.7	0.8
Other countries	7.5	8.1	7.5	4.2	3.7	3.9	4.0	3.7	4.4	7.7	7.6	7.9
World Total	62.2	63.1	57.7 3	19.6	17.1	17.8	20.0	16.9	17.7	61.2	58.0	61.1

Note: --- = Less than 50,000 bales. Individual items may not precisely add to totals because of rounding.

1/ Years beginning August 1.

2/ Preliminary and subject to revision.

3/ Bales to 480 lbs. net weight.

4/ Includes Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

5/ Includes East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Yugoslavia, and Albania.

Source: Foreign Agricultural Service.

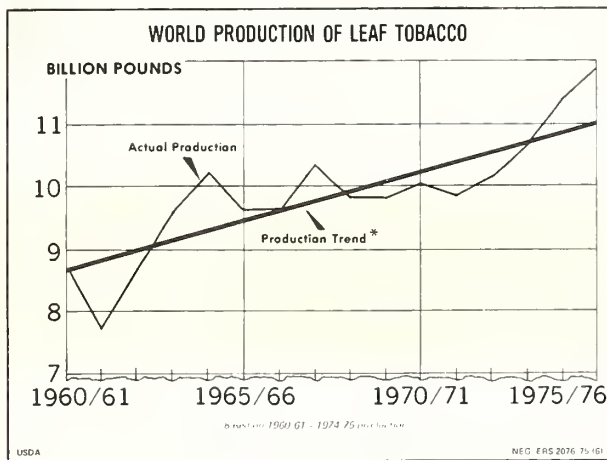


Figure 11

Table 28—World tobacco production and trend estimates

Calendar year	Actual	Trend ¹	Deviation from trend
	Billion pounds	Billion pounds	Billion pounds
1972	10.24	10.58	-0.34
1973	10.53	10.74	-0.21
1974	11.40	10.90	0.50
1975	² 11.80	11.06	0.74

¹ Trend based on 1960-74. ² Preliminary.

Production

In 1976, U.S. tobacco output (about a fifth of the world total) will probably be less than in 1975. U.S. output rose 14 percent in 1974 and about 10 percent in 1975. The world's other leading producer, China, is tentatively estimated to have a 1975 crop of 2.3 billion pounds, but losses from flooding in a major flue-cured producing province could lower this estimate to about last year's figure. Total world leaf output outside the U.S. is expected to increase about 2.5 percent in 1975. Brazil's crop rose over 25 percent and sizable increases are also estimated for Greece, Bulgaria, and South Korea. India's 1975 output is 10 percent below last year.

Cigarette Output

Cigarette output (about two-thirds of tobacco leaf use) has been rising at a higher rate than tobacco output over the past 15 years, reflecting a trend toward less tobacco per cigarette (via filter

tips, thinner cigarettes, and use of non-leaf tobacco materials). World cigarette output in 1975 will likely be about 3 percent above the 1974 output of 3.7 trillion pieces, a rate slightly below the average growth rate of 3.5 percent a year registered in 1960-74. U.S. cigarette output is estimated to be up 3 percent in 1975 to a new high of 655 billion pieces. In other countries, in aggregate, the growth in output is estimated at less than 2 percent compared with almost 4 percent in 1974. Output in Japan (about 17 percent of the U.S.'s leaf export market) is estimated at 278 billion pieces, barely greater than in 1974. EC output, with higher retail prices and sales taxes on cigarettes, is estimated at 525 billion pieces, about the same as 1974. Cigarette output in Brazil, growing slowly over the years, accelerated in 1972 with a 9-percent increase, jumped up by 12 percent in 1974 to 100 billion pieces, and is expected to total 110 billion in 1975 and 119 billion in 1976.

Trade

Preliminary estimates indicate that world exports of unmanufactured tobacco (including communist countries) fell 6 percent in 1975 to about 3 billion pounds (declared weight) after stabilizing in 1973 and then expanding by 17 percent in 1974. U.S. export volume in 1975 may drop below 580 million pounds from 651 million in 1974 (highest since 1947). The U.S. share of world exports is around 20 percent in 1975, continuing a long-term decline and significantly below the 1960's when it stood at about 25 percent. Other leading exporters with lower exports in 1975 are Turkey (about 15 percent less), India, and Italy; but Bulgaria, Brazil, Greece, and South Korea show higher exports. The 1975 overall global decline in exports is associated with the greater availabilities of tobacco in the important importing countries following the 1974 record crop, as well as the large imports of 1974 relative to subsequent sales. The two top tobacco importers, West Germany and the United Kingdom, show estimated declines of over 20 and over 35 million pounds, respectively. U.S. imports, third largest at 315 million, should be above the level of 1974.

Despite the drop in volume, the U.S. export value of tobacco and tobacco products in 1975 should reach about \$1.25 billion because of higher prices. U.S. imports will likely total about \$225 million. (Robert D. Barry and Charles E. Goode)

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